



鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT

For the third quarter ended 31 March 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

The directors of Phoenix Satellite Television Holdings Limited (the “Directors”) collectively and individually accept full responsibility for this announcement which includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Phoenix Satellite Television Holdings Limited. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Phoenix's financial situation remained largely stable and Phoenix is well placed to improve its financial performance once the regional economy picks up.
- Phoenix continued to rate highly on the mainland, where a survey commissioned by CCTV judged Phoenix to have the second highest level of audience loyalty among some thirty television stations.
- Phoenix was also rated among the top twenty most respected enterprises in China in 2001 in an evaluation conducted by Management Case Centre Peking.
- Phoenix InfoNews Channel began broadcasting in Hong Kong through the pay-TV channel i-Cable, marking the entry by InfoNews into a major market.

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") have pleasure in presenting the unaudited consolidated income statements and statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Phoenix Group" or "Phoenix") for the three months and nine months ended 31 March 2002 and the consolidated balance sheet of the Phoenix Group as at 31 March 2002, together with the comparative figures for the corresponding periods and relevant date in 2000/2001.

FINANCIAL REVIEW

Revenue of the Phoenix Group for the nine months ended 31 March 2002 was approximately HK\$493,639,000, which represented a decrease of 9.1% over the same period last year. The decline was mainly attributable to the worldwide economic downturn. Operating costs for the nine months period increased by 22.6% compared with the same period last year, to approximately HK\$615,047,000. This increase in operating costs over the same period last year was in line with expectations: this nine months period included the operating costs for the full period of both the Phoenix InfoNews Channel and the Phoenix North America Chinese Channel, while the same period last year only reflected the operating costs of these two channels for the first three months after their establishment. Moreover, this nine months period also included the operating costs of the Phoenix Chinese News and Entertainment Channel ("PCNE") after its formal acquisition in November 2001.

On a quarter-to-quarter comparison, the revenue of the Phoenix Group for the three months ended 31 March 2002 reduced by a modest 4.4% to approximately HK\$165,022,000 when compared with the previous quarter, while operating costs dropped slightly by 2.0% to approximately HK\$208,078,000. Loss attributable to shareholders for this quarter was HK\$40,303,000

The table below shows the operating results of our businesses for this quarter and the previous quarter:

| | Three months ended 31 March 2002 HK\$'000 | Three months ended 31 December 2001 HK\$'000 |
|--|--|---|
| Phoenix Chinese & Movies channels | 41,488 | 61,061 |
| Phoenix InfoNews, North America Chinese and PCNE channels | (53,142) | (51,756) |
| Other businesses | (5,040) | (5,679) |
| Management overheads | (26,362) | (43,251) |
| | <u>(43,056)</u> | <u>(39,625)</u> |
| Loss from operations | <u>(43,056)</u> | <u>(39,625)</u> |

Due to changes in the arrangement with our advertising agent, Shenzhou Television Company Limited, certain items included in the management overheads had been reclassified as the channels' direct operating costs. Accordingly, management overheads had decreased and the operating costs of the channels had increased in this quarter.

For comparison purposes, the table below shows the operating results of our business for this quarter (same as above) and the previous quarter calculated on the basis that the new arrangement and the reclassification had been fully implemented in that quarter:

| | Three months ended 31 March 2002 HK\$'000 | Three months ended 31 December 2001 HK\$'000 (reclassified) |
|--|--|---|
| Phoenix Chinese & Movies channels | 41,488 | 47,808 |
| Phoenix InfoNews, North America Chinese and PCNE channels | (53,142) | (52,052) |
| Other businesses | (5,040) | (5,679) |
| Management overheads | (26,362) | (29,702) |
| | <u>(43,056)</u> | <u>(39,625)</u> |
| Loss from operations | <u>(43,056)</u> | <u>(39,625)</u> |

Phoenix Chinese Channel contributed approximately 90% of the Group's total revenue. Despite its revenue having dropped by 5.1% compared with the same period last year, its performance was satisfactory in view of the overall downturn of the global advertising markets. Performance of Phoenix Movies Channel and PCNE were very similar to the last quarter. The new channels, namely Phoenix InfoNews and Phoenix North America Chinese channels, had made marginal contributions to Phoenix's revenue but had steady growth. We are pleased to note that advertising revenue of Phoenix in March 2002 had increased by approximately 10.5% as compared with the same month in 2001 and there is a likelihood that this upward trend will continue.

BUSINESS REVIEW

The results of Phoenix during this quarter were similar to the preceding quarter, with some minor variations. Our operating costs were relatively stable as compared with the last quarter. Thus, as a whole, Phoenix's performance this quarter was very similar to the last three quarters.

Television Broadcasting

Phoenix's high standing with the Chinese audience was reflected in a survey commissioned by China Central Television which identified Phoenix as having the second highest level of audience loyalty, and the third highest level of audience satisfaction, out of thirty major television broadcasters in China in 2001. Phoenix was also rated among the top twenty most respected enterprises in China in 2001 in an evaluation conducted by Management Case Centre Peking.

The Phoenix Group built on its highly acclaimed coverage of the war in Afghanistan by continuing to follow international events closely. Phoenix has maintained its reputation as one of the premier news providers in the Chinese-speaking community and continues to possess a substantial audience base among the Chinese elite.

Phoenix InfoNews Channel entered into a remarkable new phase when, on 1 February 2002, it commenced to broadcast in Hong Kong through the i-Cable pay-TV network, signifying InfoNews Channel's entry into a major market. Phoenix continues to seek authorisation from the Chinese State Administration of Film, Radio and Television to broadcast its InfoNews Channel in China on a similar basis to its Chinese Channel.

Business Strategy

Phoenix has continued to explore ways to expand its international reach and to increase advertising and subscription income, and is considering to broadcast some programming on cable and pay-TV networks.

Phoenix is seeking ways to improve performance while reducing costs. Phoenix is currently reviewing a number of outsourcing arrangements in order to complete tasks more economically with in-house resources. Initial figures suggest that this approach promises further savings.

Prospects

Although the overall Asia-Pacific economic environment has reflected the negative influence of the Japanese and other poorly performing regional economies, Phoenix is well placed to benefit from the continuing growth of the Chinese economy, which is Phoenix's key market. We no longer expect to be encumbered by one-off costs, and anticipate that the effort we have put into rationalizing costs will contribute to reducing operational expenditures.

Phoenix's optimism is also reinforced by the prospect that the mainland Chinese viewership base will gradually expand as a consequence of changes in Chinese government policy. Phoenix's now well established record of producing news and entertainment programs that have strong audience appeal will ensure that Phoenix is a major beneficiary of such changes.

The Directors of Phoenix Satellite Television Holdings Limited have the pleasure of presenting the unaudited consolidated income statement and statement of cash flows of the Company and its subsidiaries for the three months and nine months ended 31 March 2002 (the “periods”) and the unaudited consolidated balance sheet of the Phoenix Group as at 31 March 2002, together with the comparative figures for the corresponding periods and relevant date in 2000/2001.

DIRECTORS’ INTERESTS IN SECURITIES

As at 31 March 2002, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were as follows:

(1) Ordinary shares

| Name | Type of interest | Number of ordinary shares |
|----------------|---------------------|---------------------------|
| LIU, Changle * | Corporate interests | 1,854,000,000 |

Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today’s Asia Limited, which in turn is interested in approximately 37.6% of the issued share capital of the Company as at 31 March 2002.

(2) Share options

As at 31 March 2002, the Company had granted share options under the Pre-IPO Share Option Scheme to the following Directors of the Company to subscribe for ordinary shares of the Company.

| Name | Number of options | Date of grant | Exercise price per share HK\$ |
|----------------|-------------------|---------------|----------------------------------|
| LIU, Changle * | 5,320,000 | 14 June 2000 | 1.08 |
| CHUI, Keung * | 3,990,000 | 14 June 2000 | 1.08 |

* Being the Executive Directors of the Company.

No such options have been exercised during the period from the date of grant to 31 March 2002.

Save as disclosed herein, as at 31 March 2002, none of the Directors or chief executive of the Company, had any personal, corporate or other interests in the share capital of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company, namely Pre-IPO Share Option Scheme and Share Option Scheme. The summary of the Pre-IPO Share Option Scheme and the Share Option Scheme is set out in the section headed “Share Option Schemes” of the prospectus of the Company dated 21 June 2000 (the “Prospectus”).

In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Share Option Scheme, the committee of four Directors established for the administration of the share option schemes (the “Committee”) approved certain amendments to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme on 14 February 2001. Such amendments have been pre-approved by the Stock Exchange.

The summary of the revised Share Option Scheme is set out in the Appendix of the Half-yearly Report 2000/2001. Similar amendments for administrative purposes were made to the Pre-IPO Share Option Scheme and paragraphs 7, 11, 12, 13, 14 and 15 set out in the Appendix of the Half-yearly Report 2000/2001 replaced the corresponding paragraphs of the summary of the Pre-IPO Share Option Scheme set out in Appendix VI of the Prospectus.

(1) Pre-IPO Share Option Scheme

As at 31 March 2002, the following share options granted by the Company under the Pre-IPO Share Option Scheme to the employees (including Executive Directors) of the Phoenix Group to acquire shares were outstanding:

| Total number of employees | Number of share options | Date of grant | Exercise price per share HK\$ | Exercise period (Note a) |
|----------------------------------|--------------------------------|----------------------|--|-------------------------------------|
| 124 | 53,716,000 | 14 June 2000 | 1.08 | 14 June 2001 to 13 June 2010 |

762,000 options have been exercised during the period from the date of grant to 31 March 2002. As at 31 March 2002, 5,264,000 options granted to 28 employees were lapsed when they ceased their employment with the Phoenix Group.

No options have been granted to Non-Executive Directors and Independent Non-Executive Directors under the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

As at 31 March 2002, the following share options granted by the Company under the Share Option Scheme to the employees of the Phoenix Group to acquire shares were outstanding:

| Total number of employees | Number of share options | Date of grant | Exercise price per share HK\$ | Exercise period (Note a) |
|----------------------------------|--------------------------------|----------------------|--|---|
| 2 | 1,700,000 | 15 February 2001 | 1.99 | 15 February 2002 to 14 February 2011 |
| 20 | 12,860,000 | 10 August 2001 | 1.13 | 10 August 2002 to 9 August 2011 |

As at 31 March 2002, 2,200,000 options granted to 2 employees were lapsed when they ceased employment with the Phoenix Group. Save as stated above, no options have been exercised, cancelled or lapsed during the period from the respective dates of grant to 31 March 2002.

No options have been granted to the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors under the Share Option Scheme.

Note a: No options may be exercised within 12 months after the date of grant of the options. Details of the time and the percentage of shares comprised in the options that may be exercised are set out in Appendix VI of the Prospectus under the section headed “Share Option Schemes”.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the Phoenix Group companies, including any Executive Directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option schemes may not exceed 10% of the issued share capital of the Company.

The Company has applied for a waiver from strict compliance with Rule 23.02(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) so that the total number of shares available for issue under the options granted may increase up to 30% of the issued share capital of the Company from time to time. Please refer to the paragraph “Share Option Schemes” under the section headed “Waivers from compliance with the GEM Listing Rules and Companies Ordinance” set out in the Prospectus.

Save as disclosed herein, and other than those in connection with the Phoenix Group reorganisation scheme prior to the Company's listing of shares, at no time during the period was the Company or any of the companies comprising the Phoenix Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited (“PHOENIXi”), a member of the Phoenix Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the “PHOENIXi Plan”). Under the PHOENIXi Plan, the employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or its subsidiaries or the Company are eligible to take up options to subscribe for shares in PHOENIXi. The summary of the terms of the PHOENIXi Plan are set out in Appendix VI of the Prospectus under the section headed “Share Option Schemes”.

As at 31 March 2002, no options have been granted under the PHOENIXi Plan.

DIRECTORS’ INTERESTS IN CONTRACTS

No contract of significance in relation to the Phoenix Group's business to which the Company or any of the companies comprising the Phoenix Group was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital:

| Name | Number of ordinary shares |
|---|----------------------------------|
| STAR Television Holdings Limited (Note 1) | 1,854,000,000 |
| Today's Asia Limited (Note 2) | 1,854,000,000 |

Notes:

1. STAR Television Holdings Limited is a wholly-owned subsidiary of STAR Group Limited, which in turn is owned approximately 75% by News Cayman Holdings Limited and approximately 25% by Newscorp Cayman International Limited. Newscorp Cayman International Limited is a wholly-owned subsidiary of News Cayman Holdings Limited. News Publishers Investments Pty. Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty. Limited is a wholly-owned subsidiary of News Publishers Holdings Pty. Limited, which in turn is a wholly-owned subsidiary of The News Corporation Limited, a listed company in New Zealand, Australia, London and New York.

By virtue of the SDI Ordinance, The News Corporation Limited, News Publishers Holdings Pty. Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited, Newscorp Cayman International Limited and STAR Group Limited are all deemed to be interested in the 1,854,000,000 shares held by STAR Television Holdings Limited.

2. Today's Asia Limited is beneficially owned by Mr. LIU, Changle and Mr. CHAN, Wing Kee as to 93.3% and 6.7% interests, respectively.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's Articles of Association and the law in the Cayman Islands in relation to the issue of new shares by the Company.

PURCHASE, SALE OR REPURCHASE OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's shares during the period.

SPONSORS' INTERESTS

Bank of China Group Investment Limited, beneficially owned by Bank of China, the ultimate holding company of BOCI Asia Limited, indirectly owns the entire issued share capital of China Wise International Limited which in turn owns 412,000,000 shares (approximately 8.35%) of the Company. One of the Non-Executive Directors of the Company, Mr. XU, Gang, who is also a director of Bank of China Group Investment Limited and China Wise International Limited, has been nominated by China Wise International Limited and appointed as a Director of eighteen subsidiaries of the Phoenix Group, namely:

- Phoenix Satellite Television Company Limited
- Phoenix Satellite Television (Chinese Channel) Limited
- Phoenix Satellite Television (Movies) Limited
- Phoenix Satellite Television (Europe) Limited
- Phoenix Satellite Television Trademark Limited
- PCNE Holdings Limited
- Phoenix Chinese News & Entertainment Limited
- Phoenix Satellite Television Information Limited
- Phoenix Satellite Television (B.V.I.) Holding Limited
- Phoenix Satellite Television (InfoNews) Limited
- Phoenix Weekly Magazine (BVI) Limited
- Phoenix Satellite Television Development (BVI) Limited
- Phoenix Satellite Television (Universal) Limited
- Phoenix Satellite Television Development Limited
- Phoenix Satellite Television Investments (BVI) Limited
- Hong Kong Phoenix Satellite Television Limited
- Phoenix Glow Limited
- Phoenix Global Television Limited

Mr. GONG, Jianzhong, who is a director of China Wise International Limited, has been nominated by China Wise International Limited and appointed as Alternate Director to Mr. XU, Gang of the Company and the above eighteen subsidiaries of the Phoenix Group.

Save as disclosed above, each of BOCI Asia Limited and Merrill Lynch Far East Limited has confirmed:

- (i) neither itself nor its associates has, or may have, any interest in any class of securities (including derivatives) of the Company, or any other company within the Phoenix Group (including options or rights to subscribe such securities);
- (ii) no Director or employee or their associates of BOCI Asia Limited or Merrill Lynch Far East Limited who are involved in providing advice to the Company has or may have, any interest in any class of securities of the Company or any other company within the Phoenix Group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such Directors or employee pursuant to the Public Offer);
- (iii) neither itself nor its associates accrued any material benefit as a result of the successful outcome of the listing of the shares of the Company on the GEM; and

- (iv) no Director or employee or their associates of BOCI Asia Limited or Merrill Lynch Far East Limited has a directorship in the Company or any other company within the Phoenix Group.

COMPETING INTERESTS

Today's Asia Limited, STAR Television Holdings Limited and China Wise International Limited have interest in approximately 37.6%, 37.6% and 8.4% of the share capital of the Company respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and CHAN, Wing Kee, STAR Television Holdings Limited and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

STAR Television Holdings Limited, together with its ultimate parent company, The News Corporation Limited ("News Corporation"), are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, the United Kingdom, Australia, Latin America and Asia include the production of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems, and the creation and distribution of popular on-line programming. Currently, STAR Group Limited, the holding company of STAR Television Holdings Limited, owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region. STAR Group Limited and its subsidiaries (including STAR Television Holdings Limited) operate and broadcast a range of channels, such as STAR Movies and STAR Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. The broadcasting coverage of Channel [V] includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East. STAR Group Limited announced on 19 December 2001 that it was granted landing rights for a new 24-hour Mandarin-language general entertainment channel in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television Corporation, Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited.

Mr. LIU, Changle and Mr. CHAN Wing Kee, who beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, hold, through several intermediate companies at different levels, approximately 14% and 18% of Asia Television Limited, a Hong Kong based television broadcasting company. Asia Television Limited is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audience in Hong Kong, Asia Television Limited broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the People's Republic of China.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met regularly to review with management the accounting

principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters (including this quarterly financial statements before recommending them to the Board of the Directors for approval). The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two Independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by the quarterly report.

By order of the Board
LIU Changle
Chairman

Hong Kong, 8 May 2002

CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 MARCH 2002

| | <i>Note</i> | As at 31 March 2002 \$'000 | As at 30 June 2001 \$'000 (Audited) (Note 14) |
|---|-------------|-------------------------------------|--|
| ASSETS AND LIABILITIES | | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | 2 | 45,750 | – |
| Fixed assets | | 77,462 | 79,156 |
| Purchased programme and film rights | 3 | 30,091 | 36,515 |
| Land deposit | 4 | 29,177 | 29,177 |
| Loan to PCNE | | – | 41,093 |
| Total non-current assets | | <u>182,480</u> | <u>185,941</u> |
| CURRENT ASSETS | | | |
| Cash and bank balances | | 509,453 | 665,403 |
| Accounts receivable, net | | 142,049 | 122,645 |
| Inventories | | 1,925 | 372 |
| Prepayments, deposits and other receivables | | 204,922 | 160,190 |
| Amounts due from related companies | 7 | 233 | 825 |
| Self-produced programmes | | 26,891 | 17,066 |
| Purchased programme and film rights, current portion | 3 | 14,939 | 10,645 |
| Total current assets | | <u>900,412</u> | <u>977,146</u> |
| CURRENT LIABILITIES | | | |
| Short-term bank loan, secured | | – | (779) |
| Accounts payable and accruals | | (106,713) | (80,866) |
| Deferred income | | (13,945) | (12,355) |
| Advertising revenue received in advance | | (18,596) | (28,462) |
| Amounts due to related companies | 7 | (27,235) | (17,913) |
| Profits tax payable | | (7,947) | (1,356) |
| Total current liabilities | | <u>(174,436)</u> | <u>(141,731)</u> |
| Net current assets | | <u>725,976</u> | <u>835,415</u> |
| Total assets less current liabilities | | <u>908,456</u> | <u>1,021,356</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred taxation | | (252) | (252) |
| Minority interests | | (8,664) | (5,019) |
| Total non-current liabilities | | <u>(8,916)</u> | <u>(5,271)</u> |
| NET ASSETS | | <u><u>899,540</u></u> | <u><u>1,016,085</u></u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 5 | 493,173 | 493,159 |
| Reserves | 6 | 406,367 | 522,926 |
| TOTAL SHAREHOLDERS' EQUITY | | <u><u>899,540</u></u> | <u><u>1,016,085</u></u> |

CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2002

| | | For the three months ended 31 March | | For the nine months ended 31 March | |
|--|-------------|--|------------------|---------------------------------------|------------------|
| | <i>Note</i> | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| | | | <i>(Note 14)</i> | | <i>(Note 14)</i> |
| REVENUE | 12 | 165,022 | 161,493 | 493,639 | 542,805 |
| OPERATING EXPENSES | 7 | (175,593) | (153,477) | (517,351) | (404,900) |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 7 | (32,485) | (32,898) | (97,696) | (96,645) |
| (LOSS) PROFIT FROM OPERATIONS | 12 | (43,056) | (24,882) | (121,408) | 41,260 |
| OTHER INCOME (EXPENSES) | | | | | |
| Amortisation of goodwill | 2 | (1,050) | – | (1,435) | – |
| Exchange gain, net | | 459 | 831 | 340 | 2,020 |
| Interest income, net | | 3,296 | 11,782 | 11,612 | 36,636 |
| Other income, net | | 1,516 | 296 | 3,023 | 2,109 |
| (LOSS) PROFIT BEFORE TAXATION AND MINORITY INTERESTS | | (38,835) | (11,973) | (107,868) | 82,025 |
| TAXATION | 8 | (2,186) | – | (6,623) | – |
| (LOSS) PROFIT BEFORE MINORITY INTERESTS | | (41,021) | (11,973) | (114,491) | 82,025 |
| MINORITY INTERESTS | | 718 | 2,239 | (2,203) | 5,810 |
| (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | (40,303) | (9,734) | (116,694) | 87,835 |
| ACCUMULATED DEFICIT, beginning of period | | (378,169) | (258,193) | (301,778) | (355,762) |
| | | (418,472) | (267,927) | (418,472) | (267,927) |
| DIVIDENDS | 9 | – | – | – | – |
| ACCUMULATED DEFICIT, end of period | | (418,472) | (267,927) | (418,472) | (267,927) |
| (LOSS) EARNINGS PER SHARE | 10 | (0.82 cents) | (0.20 cents) | (2.37 cents) | 1.78 cents |
| DILUTED (LOSS) EARNINGS PER SHARE | 10 | N/A | N/A | N/A | N/A |

A separate statement of recognised gains and losses is not presented because there were no recognised gains and losses other than the (loss) profit attributable to shareholders for the periods.

CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE NINE MONTHS ENDED 31 MARCH 2002

| | | For the nine months ended 31 March | |
|---|-------------|---------------------------------------|------------------------|
| | <i>Note</i> | 2002 \$'000 | 2001 \$'000 |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | | <u>(146,947)</u> | <u>(99,436)</u> |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received from bank deposits | | 11,653 | 37,028 |
| Interest paid | | <u>(41)</u> | <u>(392)</u> |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | <u>11,612</u> | <u>36,636</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (11,768) | (59,362) |
| Proceeds from disposal of fixed assets | | – | 326 |
| Loan to PCNE | | (11,099) | – |
| Net cash inflow from acquisition of PCNE | 11a | 2,418 | – |
| Purchase of additional interest in a subsidiary | | <u>(944)</u> | <u>–</u> |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | <u>(21,393)</u> | <u>(59,036)</u> |
| OVERSEAS TAXATION PAID | | <u>(32)</u> | <u>–</u> |
| NET CASH OUTFLOW BEFORE FINANCING | | <u>(156,760)</u> | <u>(121,836)</u> |
| FINANCING ACTIVITIES | | | |
| Capital contributions from minority shareholders | | 1,440 | 1,000 |
| Proceeds from exercise of share options | | 149 | – |
| Proceeds from over-allotment of shares | | – | 90,621 |
| Over-allotments and public offering expenses paid | | – | (8,996) |
| New secured loan repayable within five years | | <u>–</u> | <u>779</u> |
| NET CASH INFLOW FROM FINANCING | | <u>1,589</u> | <u>83,404</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | 11b | <u><u>(155,171)</u></u> | <u><u>(38,432)</u></u> |

NOTES TO THE QUARTERLY REPORT – UNAUDITED

31 MARCH 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These quarterly financial statements should be read in conjunction with the 2000/2001 annual financial statements and are in compliance with Statement of Standard Accounting Practice Number 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The Company and its subsidiaries are regarded as a continuing entity after the Group Reorganisation. Accordingly, the financial statements of the Phoenix Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Phoenix Group.

The accounting policies adopted by the Phoenix Group are consistent with those followed in the annual financial statements for the year ended 30 June 2001, except for the adoption of certain new accounting standards issued by the HKSA as described below.

In the current period, the Phoenix Group has adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA:

| | |
|------------------|--|
| SSAP 9 (revised) | Events after the balance sheet date |
| SSAP 26 | Segment reporting |
| SSAP 28 | Provisions, contingent liabilities and contingent assets |
| SSAP 29 | Intangible assets |
| SSAP 30 | Business combinations |
| SSAP 31 | Impairment of assets |
| SSAP 32 | Consolidated financial statements and accounting for investments in subsidiaries |

For the three-month and nine-month periods ended 31 March 2002, the adoption of the new SSAPs has no material impact on the reported financial position or results of the Phoenix Group.

2. GOODWILL

| | As at 31 March 2002 \$'000 |
|--------------------------|----------------------------------|
| Cost | 47,185 |
| Accumulated amortisation | (1,435) |
| | <hr/> |
| | 45,750 |
| | <hr/> <hr/> |

Goodwill primarily represents the excess of the cost of acquisition over the Phoenix Group's interest in the fair value of the net identifiable liabilities of Phoenix Chinese News & Entertainment Limited ("PCNE") acquired as at 1 November 2001 (i.e. date of acquisition). The goodwill is amortised on a straight-line basis over its expected useful life of 20 years, subject to a periodic assessment of any potential impairment in value, based on an evaluation of the recoverable amount.

During the three months and nine months ended 31 March 2002, amortization of goodwill was approximately \$1,050,000 and \$1,435,000 respectively. The Directors are of the opinion that the recoverable amount of goodwill is not less than the carrying amount as at 31 March 2002.

3. PURCHASED PROGRAMME AND FILM RIGHTS

| | As at 31 March 2002 \$'000 | As at 30 June 2001 \$'000 (Audited) |
|--|---|---|
| Cost | 80,567 | 171,727 |
| Accumulated amortisation | (35,537) | (124,567) |
| | 45,030 | 47,160 |
| Less: Purchased programme and film rights – current portion | (14,939) | (10,645) |
| Purchased programme and film rights – non-current portion | 30,091 | 36,515 |

4. LAND DEPOSIT

On 11 June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局(The Shenzhen National Land Planning Bureau) to acquire a land use right on a parcel of land situated in Shenzhen, the People's Republic of China (the "PRC"), for the development of premises including a production centre for the Phoenix Group. The total consideration for the acquisition is approximately \$57,354,000. Pursuant to the payment terms of the agreement, an amount of approximately \$29,177,000 has been paid to the 深圳市規劃國土局(The Shenzhen National Land Planning Bureau) as the first installment. A final payment of approximately \$28,177,000 is to be paid no later than 13 June 2003. The land use right will be granted to the Phoenix Group only upon full and final payment.

5. SHARE CAPITAL

| | Nine months ended 31 March 2002 | | Twelve months ended 30 June 2001 | |
|-------------------------------------|------------------------------------|------------------|-------------------------------------|-------------------------------|
| | Number of shares | Amount \$'000 | Number of shares | Amount \$'000 (Audited) |
| Issued and fully paid (\$0.10 each) | | | | |
| Beginning of period/year | 4,931,592,000 | 493,159 | 4,847,060,000 | 484,706 |
| Exercise of over-allotment options | - | - | 83,908,000 | 8,391 |
| Exercise of share options | 138,000 | 14 | 624,000 | 62 |
| End of period/year | <u>4,931,730,000</u> | <u>493,173</u> | <u>4,931,592,000</u> | <u>493,159</u> |

6. RESERVES

Movements in reserves of the Phoenix Group during the three months and nine months periods were as follows:

| | Three months ended 31 March | | | |
|--|-----------------------------|----------------------------------|-----------------|-------------------------|
| | Share premium \$'000 | Accumulated deficit \$'000 | Total \$'000 | 2001 Total \$'000 |
| Beginning of the three months period | 824,839 | (378,169) | 446,670 | 566,020 |
| Loss attributable to shareholders | - | (40,303) | (40,303) | (9,734) |
| Placements and public offering expenses | - | - | - | (120) |
| End of the three months period | <u>824,839</u> | <u>(418,472)</u> | <u>406,367</u> | <u>556,166</u> |

Nine months ended 31 March

| | Share premium \$'000 | 2002 Accumulated deficit \$'000 | 2001 Total \$'000 | Total \$'000 |
|--|-------------------------------------|--|----------------------------------|-------------------------|
| Beginning of the nine months period | 824,704 | (301,778) | 522,926 | 395,097 |
| (Loss) Profit attributable to shareholders | – | (116,694) | (116,694) | 87,835 |
| Proceeds from exercise of over-allotment option | – | – | – | 82,230 |
| Over-allotments, placements and public offering expenses | – | – | – | (8,996) |
| Exercise of share options | <u>135</u> | <u>–</u> | <u>135</u> | <u>–</u> |
| End of the nine months period | <u>824,839</u> | <u>(418,472)</u> | <u>406,367</u> | <u>556,166</u> |

7. RELATED PARTY TRANSACTIONS

As at 31 March 2002, the outstanding balances with related companies were unsecured, non-interest bearing and had no fixed repayment terms.

The Phoenix Group had the following significant transactions with related parties:

| | <i>Notes</i> | Three months ended | | Nine months ended | |
|--|--------------|--------------------|--------|-------------------|--------|
| | | 31 March | | 31 March | |
| | | 2002 | 2001 | 2002 | 2001 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Office premises rental paid/payable to Satellite Television Asian Region Limited | a, b | 1,593 | 1,897 | 4,779 | 5,690 |
| Service charges paid/payable to Satellite Television Asian Region Limited | a, c | 33,676 | 35,297 | 103,092 | 75,004 |
| Commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited | a, d | 2,277 | 1,593 | 5,797 | 8,854 |
| Commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited | a, e | 529 | 412 | 1,500 | 1,067 |
| Film licence fees paid/payable to Star TV Filmed Entertainment Limited | a, f | 5,100 | 5,097 | 15,302 | 15,289 |
| Programme licence fees paid/payable to other Star TV group companies | a, g | 77 | – | 752 | – |
| Programme licence fees paid/payable to ATV Enterprises Limited | g, i | – | 444 | 1,105 | 4,858 |
| Service charges paid/payable to Asia Television Limited | h, i | 71 | – | 471 | – |
| Service charges paid/payable to Fox News Network L.L.C. (“Fox”) | j, k | 1,039 | – | 3,085 | – |
| Transponder rental and uplink costs paid/payable to British Sky Broadcasting Limited (“BSkyB”) | l, m | 697 | – | 1,154 | – |

Notes:

The Directors have confirmed that all of the above related party transactions have been carried out in the normal course of business of the Phoenix Group.

- (a) Satellite Television Asian Region Limited, Star TV Filmed Entertainment Limited and other Star TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of STAR Television Holdings Limited, a shareholder of the Company.
- (b) Office premises rental paid/payable to Satellite Television Asian Region Limited was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by Satellite Television Asian Region Limited in respect of the area occupied by it under its lease with the landlord.
- (c) Service charges paid/payable to Satellite Television Asian Region Limited cover the following services provided to the Phoenix Group which are charged based on the terms as specified under various service agreements. Either fixed fees or variable fees are charged depending on the type of facilities utilised including the following:
 - transponder capacity;
 - network;
 - broadcast operations and engineering;
 - uplink and downlink; and
 - general administrative and other support (including access to, and the use of, general office facilities, management information system and commercial traffic).
- (d) The commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 4% – 20% (2000/2001 – 20%) of the net advertising income generated and received by it on behalf of the Phoenix Group after deducting third party agency fees.
- (e) The commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 15% (2000/2001 – 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.
- (f) The film licence fees are charged in accordance with a film rights acquisition agreement with Star TV Filmed Entertainment Limited.
- (g) The programme licence fees paid/payable to other Star TV group companies and ATV Enterprises Limited are negotiated on a case-by-case basis.
- (h) Service charges paid/payable to Asia Television Limited cover news footage and data transmission services provided to the Phoenix Group which are charged based on terms mutually agreed upon between the parties.
- (i) ATV Enterprises Limited is a wholly-owned subsidiary of Asia Television Limited which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU, Changle and Mr. CHAN, Wing Kee, indirectly own approximately 14% and 18% respectively of Asia Television Limited as at 31 March 2002.
- (j) Fox is an associate of STAR Television Holdings Limited.

- (k) Service charges paid/payable to Fox cover the following services provided to the Phoenix Group which are charged based on the terms specified in a service agreement:
- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;
 - leasing of office space; and
 - accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.
- (l) BSkyB is 40% owned by The News Corporation Limited which indirectly owns 100% of STAR Television Holdings Limited.
- (m) The transponder rental and uplink costs are charged in accordance with the service agreement with BSkyB.

8. TAXATION

Taxation in the consolidated income statement consisted of:

| | Three months ended 31 March | | Nine months ended 31 March | |
|-------------------------|--|----------|---------------------------------------|----------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current taxation | | | | |
| – Hong Kong profits tax | 2,183 | – | 6,591 | – |
| – Overseas tax | 3 | – | 32 | – |
| | <u>2,186</u> | <u>–</u> | <u>6,623</u> | <u>–</u> |

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

As at 31 March 2002, certain subsidiaries of the Phoenix Group had estimated cumulative tax losses for Hong Kong profits tax purposes which, subject to the agreement of the Inland Revenue Department, can be carried forward indefinitely to be offset against future taxable profits. The potential deferred tax asset has not been recognised in the financial statements of the Phoenix Group.

9. INTERIM DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 31 March 2002 (nine months ended 31 March 2001 – nil).

10. (LOSS) EARNINGS PER SHARE

Loss per share for the three months ended 31 March 2002 is calculated based on consolidated loss attributable to shareholders of \$40,303,376 (three months ended 31 March 2001 – loss of \$9,734,179) and the 4,931,730,000 (2001 – 4,930,968,000) weighted average number of ordinary shares outstanding during the three months ended 31 March 2002.

Loss per share for the nine months ended 31 March 2002 is calculated based on consolidated loss attributable to shareholders of \$116,694,722 (nine months ended 31 March 2001 – profit of \$87,834,836) and the 4,931,702,102 (2000/2001 – 4,924,843,328) weighted average number of ordinary shares outstanding during the nine months ended 31 March 2002.

No diluted (loss) earnings per share has been presented as the exercise of the Company's outstanding share options would have no dilutive effect on (loss) earnings per share during the three months and nine months ended 31 March 2002 and 2001 respectively.

11. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the nine months ended 31 March 2002, the Phoenix Group completed the acquisition of PCNE. The details of net liabilities of PCNE acquired and the analysis of cash inflow from such acquisition are set out in Note 14a of the Half-yearly Report 2001/2002.

(b) Analysis of changes in cash and cash equivalents:

| | Nine months ended 31 March | |
|--|---------------------------------------|----------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Cash and cash equivalents, beginning of the nine months period | 664,624 | 770,316 |
| Decrease in cash and cash equivalents | (155,171) | (38,432) |
| Cash and cash equivalents, end of the nine months period | <u>509,453</u> | <u>731,884</u> |

12. SEGMENT INFORMATION

(a) Business segments

Details of the business segment information of the Phoenix Group during the three months and nine months periods are as follows:

| | For the three months ended 31 March | | | | | | | | | |
|------------------------------------|-------------------------------------|----------------|--|----------------|---------------------|----------------|-----------------|----------------|------------------|-----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| | Television broadcasting | | Ancillary services for program production | | Other activities | | Elimination | | Consolidated | |
| REVENUE | | | | | | | | | | |
| External sales | 159,118 | 159,761 | 2,074 | - | 3,830 | 1,732 | - | - | 165,022 | 161,493 |
| Inter-segment sales | - | - | 2,782 | - | - | - | (2,782) | - | - | - |
| Total revenue | <u>159,118</u> | <u>159,761</u> | <u>4,856</u> | <u>-</u> | <u>3,830</u> | <u>1,732</u> | <u>(2,782)</u> | <u>-</u> | <u>165,022</u> | <u>161,493</u> |
| RESULTS | | | | | | | | | | |
| Segment results | (11,654) | 26,492 | (1,528) | (3,477) | (3,512) | (8,019) | - | - | (16,694) | 14,996 |
| Unallocated expenses (Note i) | | | | | | | | | (26,362) | (39,878) |
| Loss from operations | | | | | | | | | <u>(43,056)</u> | <u>(24,882)</u> |
| For the nine months ended 31 March | | | | | | | | | | |
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| | Television broadcasting | | Ancillary services for program production | | Other activities | | Elimination | | Consolidated | |
| REVENUE | | | | | | | | | | |
| External sales | 480,369 | 537,541 | 3,066 | - | 10,204 | 5,264 | - | - | 493,639 | 542,805 |
| Inter-segment sales | - | - | 12,932 | - | - | - | (12,932) | - | - | - |
| Total revenue | <u>480,369</u> | <u>537,541</u> | <u>15,998</u> | <u>-</u> | <u>10,204</u> | <u>5,264</u> | <u>(12,932)</u> | <u>-</u> | <u>493,639</u> | <u>542,805</u> |
| RESULTS | | | | | | | | | | |
| Segment results | 2,309 | 189,271 | (2,981) | (7,090) | (11,976) | (32,385) | - | - | (12,648) | 149,796 |
| Unallocated expenses (Note i) | | | | | | | | | (108,760) | (108,536) |
| (Loss) Profit from operations | | | | | | | | | <u>(121,408)</u> | <u>41,260</u> |

(i) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses; and
- marketing and advertising expenses that relate to the Phoenix Group as a whole.

(b) Geographical segments

No geographical segment information is presented as during the three months and nine months ended 31 March 2002 and 2001, less than 10% of the Phoenix Group's segment revenue and segment results were derived from activities conducted outside the PRC (including Hong Kong).

13. COMMITMENTS

(a) Programme and film rights acquisition

As at 31 March 2002, the Phoenix Group had aggregate outstanding programme and film rights related commitments of approximately \$142,583,000 (30 June 2001 – \$163,664,000) of which approximately \$142,219,000 (30 June 2001– \$158,783,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited extending to 27 August 2008 and approximately \$364,000 (30 June 2001 – \$4,881,000) was in respect of other programme acquisition agreements with third parties. Total programme and film rights related commitments are analysed as follows:

| | As at 31 March 2002 \$'000 | As at 30 June 2001 \$'000 (Audited) |
|---|---|--|
| Total committed purchase costs of programme and film rights and payable: | | |
| – not later than one year | 22,461 | 24,559 |
| – later than one year and not later than five years | 88,910 | 91,187 |
| – later than five years | 31,212 | 47,918 |
| | <u>142,583</u> | <u>163,664</u> |

(b) Land use right

As explained in Note 4, the Phoenix Group has an outstanding commitment to pay approximately \$28,177,000 no later than 13 June 2003 in respect of a land use right on a parcel of land situated in Shenzhen, the PRC.

14. COMPARATIVE FIGURES

Certain of the 2000/2001 comparative figures have been reclassified to conform to the current period's presentation. The major reclassifications are as follows:

- (a) Certain expenses previously classified as selling, general and administrative expenses are now classified as operating expenses.
- (b) Certain prepaid production costs are reclassified from prepayments, deposits and other receivables to self-produced programmes.