



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 half year ended 31 December 2002

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*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.*

## SUMMARY

- The prospects for the Group have been improved considerably by the relevant Chinese authorities deciding at the end of December 2002 to grant landing rights to Phoenix InfoNews Channel in mainland China
- Continuing the rising trend, revenue in the second quarter grew by 11.8% as compared with the first quarter
- The Group's loss from operations and loss attributable to shareholders decreased by 36.2% and 49.9% respectively for the first six months as compared to the same period last year
- The level of accounts receivables improved significantly, reducing by 33.4% from approximately HK\$115,713,000 at 30 June 2002 to approximately HK\$77,039,000 at 31 December 2002

## CHAIRMAN'S STATEMENT

### Financial Review

Revenue of the Group for the six months ended 31 December 2002 was approximately HK\$350,930,000, which represented an increase of 6.8% over the same period last year. Comparing this quarter with the previous quarter of the current financial year, revenue grew by 11.8%. The increase in revenue was mainly due to the growth in advertising revenue, but there were also moderate increases in all other revenues.

Operating costs for the six months ended 31 December 2002 decreased by 1.5% compared with the same period last year, to approximately HK\$400,934,000. The reduction in operating costs was mainly the result of various cost-saving measures implemented since July 2002.

The Group's loss from operations for the six months ended 31 December 2002 decreased by 36.2% to approximately HK\$50,004,000 and loss attributable to shareholders also decreased by 49.9% to approximately HK\$38,292,000, as compared with the same period last year. The decrease in loss was mainly due to the increase in advertising revenue and reduction in operating costs.

By a quarter-to-quarter comparison, revenue for the three months ended 31 December 2002 grew by 7.3% when compared with same quarter last year, while operating costs decreased by 1.7%. Loss attributable to shareholders for the three months decreased by 57.0%.

It is worth mentioning that with the establishment of a sales centre in Shenzhen, a tighter credit control policy introduced in August 2002, and the concerted effort in the collection of advertising receivables, there was a substantial settlement of outstanding balances from the advertising customers during the three months ended 31 December 2002. Consequently, the accounts receivables balance dropped significantly by 33.4% from approximately HK\$115,713,000 at 30 June 2002 to approximately HK\$77,039,000 at 31 December 2002.

Results of the Group for the six months ended 31 December 2002 and 2001 are summarized below:

	<b>Six months ended 31 December</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>350,930</b>	328,617
Operating costs	<b>(400,934)</b>	(406,970)
Loss from operations	<b>(50,004)</b>	(78,353)
Loss attributable to shareholders	<b>(38,292)</b>	(76,391)

## COMMENTS ON SEGMENTAL INFORMATION

The table below shows the operating results of our businesses for this quarter and the same period last year:

	<b>Three months ended 31 December</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Phoenix Chinese & Phoenix Movies channels	<b>50,964</b>	47,512
Phoenix InfoNews, Phoenix North America Chinese and Phoenix Chinese News and Entertainment channels	<b>(45,033)</b>	(51,763)
Other businesses	<b>(3,046)</b>	(5,672)
Management overheads	<b>(26,187)</b>	(29,702)
Loss from operations	<b><u>(23,302)</u></b>	<b><u>(39,625)</u></b>

Revenues from television broadcasting, including both advertising and subscription revenues, continue to be the main income source of the Group, and amounted to approximately HK\$340,081,000 (six months ended 31 December 2001 – HK\$321,166,000) or accounted for 96.9% of the Group's revenues for the six months ended 31 December 2002. Compared with same period last year, revenues from television broadcasting recorded an increase of 5.9%.

Phoenix Chinese Channel accounted for 87.7% of the Group's total revenue for the six months ended 31 December 2002 and showed an increase of 2.8% as compared with same period last year. Revenues of Phoenix Movies and Phoenix North America Chinese channels recorded a satisfactory growth of 26.1% and 547.8% respectively. We will continue to promote subscription to the two channels and expect to have steady growth. Revenues of Phoenix Chinese News and Entertainment and Phoenix InfoNews channels were relatively stable. With the PRC landing rights being granted to Phoenix InfoNews Channel recently, the channel will strengthen its programming and promotional efforts.

The segmental result for television broadcasting recorded a profit of approximately HK\$12,012,000 for the six months ended 31 December 2002, as compared to a loss of approximately HK\$11,571,000 in the same period last year. This improvement was mainly attributable to the rise of advertising revenues and the reduction in operating costs.

Revenues from programme production and ancillary services were approximately HK\$4,267,000 for the six months ended 31 December 2002, which represented a decrease of 61.7% as compared with the same period last year. This decrease was mainly the combined result of the decrease in both the production volume and the hourly costs. As a result, the segmental result of programme production and ancillary services recorded a loss of approximately HK\$1,233,000 for the six months ended 31 December 2002 (2001 – a loss of approximately HK\$1,411,000).

Through various cost-reduction schemes, operating costs of the internet business were reduced while revenue was maintained at a steady level. The segmental result of the internet operations recorded a loss of approximately HK\$4,215,000 for the reported period (2001 – a loss of approximately HK\$5,655,000), or decreased by 25.5% as compared with same period last year.

Revenues from other activities increased to approximately HK\$10,014,000 for the six months ended 31 December 2002 (2001 – approximately HK\$5,826,000), which was mainly composed of the income derived from the subscription management services provided by our US operation for EchoStar's Chinese language programmes package comprising our Phoenix North America Chinese Channel, ATV(US services) and CCTV-4. Segmental loss from other activities was approximately HK\$892,000 for the current period, compared with a loss of approximately HK\$2,699,000 in the same period last year, representing a decrease of 67.0%.

Please refer to note 2 to the half-yearly report for a detailed analysis of segmental information.

## **Prospects**

The prospects for the Group have been improved considerably when the Chinese State Administration for Radio, Film, and Television decided to grant landing rights to Phoenix InfoNews Channel at the end of 2002, allowing its reception across China on the same basis as Phoenix Chinese Channel. While Phoenix Chinese Channel will remain the flagship of the Group, the access that Phoenix InfoNews Channel now has to the mainland audience will, we believe, significantly improve its capacity to attract advertisers and generate revenue.

Phoenix InfoNews Channel is the only 24-hour Chinese language news programme provider on the mainland and we are confident that it will meet a strong appetite for news, especially among the rapidly growing Chinese middle classes who have direct interests in international political and economic developments. Now that Phoenix InfoNews Channel has the official authorisation necessary for Phoenix to be able to actively promote the channel in China, InfoNews should be able to build a sizeable audience base that would attract significant revenue.

The Group is also looking for other ways to consolidate its position as a major television broadcaster, and from the beginning of 2003 will be introducing a new suite of programmes designed to maintain Phoenix's reputation for innovative entertainment and documentary programmes that cater specifically for the tastes of Chinese viewers. One of our major new programmes is *A Passage to Africa*, which features deserts, rain forests and the different cultures of the diversified African civilisation. It is another co-production with CCTV after the success in *Pole to Pole Expedition*.

Although 2002 was a difficult year for the media industry worldwide, the Group's performance for the last six months of 2002 was encouraging and showed gradual but concrete improvement. The management is confident that this positive trend will continue, particularly now that Phoenix InfoNews Channel has received landing rights in mainland China.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 December 2002.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The liquidity and financial resources of the Group as at 31 December 2002 were similar to those of the Group as at 31 December 2001. The aggregate outstanding borrowings of the Group as at 31 December 2002 were approximately HK\$39,336,000 representing current accounts with related companies which were unsecured and non-interest bearing (as at 31 December 2001 – HK\$17,682,000). Such fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 22.8% as at 31 December 2002 (as at 31 December 2001 – 15.9%). Accordingly, the financial position of the Group has remained very liquid.

As most of the Group's monetary assets are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and Taiwan dollars, the exchange rate risks of the Group is considered to be minimal.

### **CHARGE ON ASSETS**

As at 31 December 2002, deposits of approximately \$2,900,000 (2001 – nil) were pledged with a bank to secure a guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any charge on its assets as at 31 December 2002 and 31 December 2001.

### **CAPITAL STRUCTURE**

During the six months ended 31 December 2002, there was no change in the Company's share capital. As at 31 December 2002, the Group's operations were financed mainly by shareholders' equity.

## **STAFF**

As at 31 December 2002, the Group employed 552 full-time staff (31 December 2001 – 512), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option scheme. Staff costs for the six months ended 31 December 2002 maintained at a steady level of approximately HK\$93,758,000 (six months ended 31 December 2001 – HK\$93,473,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

## **SIGNIFICANT INVESTMENTS HELD**

The Group has not held any significant investment for the six months ended 31 December 2002.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING**

The Group will continue to consolidate its existing businesses while exploring new business areas that will complement and enhance its existing businesses.

Other than disclosed herein, the Group did not have any plan for material investments and acquisition of material capital assets.

## **CONTINGENT LIABILITIES**

Other than disclosed in note 14 to the half-yearly report, the Group had no material contingent liabilities as at 31 December 2002 and 31 December 2001.

The Directors of Phoenix Satellite Television Holdings Limited (the “Company”) have the pleasure of presenting the unaudited consolidated profit and loss account, condensed consolidated cashflow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the “Phoenix Group” or the “Group”) for the three months and six months ended 31 December 2002 (the “period”) and the unaudited consolidated balance sheet of the Phoenix Group as at 31 December 2002, together with the comparative figures for the corresponding period and relevant date in 2001.

## **DIRECTORS’ INTERESTS IN SECURITIES**

As at 31 December 2002, the interests of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “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**

<b>Name</b>	<b>Type of interest</b>	<b>Number of ordinary shares</b>
LIU, Changle*	Corporate interests	1,854,000,000

*Note:* 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 December 2002.

### **(2) Share options**

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

<b>Name</b>	<b>Number of options</b>	<b>Date of grant</b>	<b>Exercise price per share</b> <i>HK\$</i>
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.

Save as disclosed herein, as at 31 December 2002, none of the Directors or chief executives 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

### (A) Share Option Scheme of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company (“Shareholders”), namely Pre-IPO Share Option Scheme and Share Option Scheme. 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 on 14 February 2001 and the Share Option Scheme on 14 February 2001 and 6 August 2002 respectively. Such amendments have been pre-approved by the Stock Exchange.

#### (1) Pre-IPO Share Option Scheme

The details of share options granted by the Company under the Pre-IPO Share Option Scheme to the Directors of the Company and the employees of the Phoenix Group to acquire shares were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share HK\$	Balance as at 1 July 2002	Number of share options		
					Lapsed during the period	Exercised during the period	Balance as at 31 December 2002
2 Executive Directors:							
LIU, Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000	-	-	5,320,000
CHUI, Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000	-	-	3,990,000
110 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	43,714,000	(6,138,000)	-	37,576,000
Total:							
112 employees				53,024,000	(6,138,000)	-	46,886,000

During the period from 1 July 2002 to 31 December 2002, 6,138,000 options granted to 8 employees lapsed when they ceased their employment with the Phoenix Group. Save as disclosed above, no option has been exercised, cancelled or lapsed during the period.

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



## (2) *Share Option Scheme*

The details of share options granted by the Company under the Share Option Scheme to the employees of the Phoenix Group to acquire shares were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share HK\$	Number of share options				
				Balance as at 1 July 2002	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31 December 2002
2 employees	15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	-	-	-	1,700,000
19 employees	10 August 2001	10 August 2002 to 9 August 2011	1.13	12,860,000	-	(350,000)	-	12,510,000
6 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	-	2,866,000	-	-	2,866,000
Total:				<u>14,560,000</u>	<u>2,866,000</u>	<u>(350,000)</u>	<u>-</u>	<u>17,076,000</u>

During the period from 1 July 2002 to 31 December 2002, 350,000 options granted to 1 employee lapsed. Save as stated above, no option has been exercised, cancelled or lapsed during the period. 2,866,000 options were granted to 6 employees on 20 December 2002. The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$0.79.

Save as disclosed above, no option has been granted to the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors under the Share Option Scheme.

### *Valuation of share options*

The options granted are not recognised in the financial statements of the Phoenix Group until they are exercised. The Directors consider that it is not appropriate to state the value of the options granted during the period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

## **(B) Share option scheme of a subsidiary of the Company**

### ***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 the section headed “Share Option Schemes” of the Annual Report for the year ended 30 June 2002.

As at 31 December 2002, no option was granted under the PHOENIXi Plan.

## **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. 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 terms of the Share Option Scheme were amended on 14 February 2001 and 6 August 2002 respectively, and a summary of the amended Share Option Scheme is set out in the Appendix of the Annual Report for the year ended 30 June 2002.

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.

## **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 December 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:

<b>Name of shareholders</b>	<b>Number of ordinary shares</b>
STAR Television Holdings Limited ( <i>Note 1</i> )	1,854,000,000
Today's Asia Limited ( <i>Note 2</i> )	1,854,000,000

### *Notes:*

1. STAR Television Holdings Limited is a subsidiary of STAR Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of STAR Group 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 STAR US Holdings Subsidiary, LLC, which in turn is a wholly-owned subsidiary of STAR US Holdings, Inc. STAR US Holdings, Inc, is a wholly-owned subsidiary of News Publishing Australia Limited, which in turn is owned approximately 91.76% by The News Corporation Limited. The remaining interests in News Publishing Australia Limited, are held by companies which are ultimately owned by The News Corporation Limited.

By virtue of the SDI Ordinance, The News Corporation Limited, News Publishing Australia Limited, STAR US Holdings, Inc, STAR US Holdings Subsidiary, LLC, News Publishers Investments Pty, Limited, News Cayman Holdings 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**

As at 30 June 2002, BOCI Asia Limited and Merrill Lynch Far East Limited ceased to be the sponsors of the Company upon expiration of the terms of contract after two years of service. The Company had no sponsors as at and for the six months ended 31 December 2002. Accordingly, no additional disclosure is made.

## 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 Mr. 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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, Canada, the United Kingdom, Australia, Latin America and the Pacific Basin include the production and distribution 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, Xing Kong Wei Shi, in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television Corporation ("CITVC"), Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited. STAR Group Limited further announced on 15 January 2003 that it has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in 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 PRC. Asia Television Limited announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through cable system in Guangdong.

## **ADVANCES TO AN ENTITY**

Please refer to Note 10 to the half-yearly report for the details of the relevant advance to an entity from the Group which exceeds 25% of the Group's net tangible assets.

## **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 unaudited half-yearly report before recommending them to the Board of 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.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in 5.28 to 5.39 of the GEM Listing Rules at any time during the six months ended 31 December 2002.

On behalf of the Board

**LIU, Changle**

*Chairman*

Hong Kong, 12 February 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED***FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2002*

		For the three months ended 31 December		For the six months ended 31 December	
		2002	2001	2002	2001
	Note	HK\$'000	HK\$'000 (Note 17)	HK\$'000	HK\$'000 (Note 17)
REVENUE	2	185,277	172,595	350,930	328,617
OPERATING EXPENSES	16	(173,290)	(177,078)	(334,112)	(341,758)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16	<u>(35,289)</u>	<u>(35,142)</u>	<u>(66,822)</u>	<u>(65,212)</u>
LOSS FROM OPERATIONS		(23,302)	(39,625)	(50,004)	(78,353)
OTHER INCOME (EXPENSES)					
Amortisation of goodwill		-	(385)	-	(385)
Exchange gain (loss), net		589	397	1,124	(119)
Interest income, net		1,732	3,619	3,482	8,314
Other income, net		<u>3,916</u>	<u>452</u>	<u>7,779</u>	<u>1,509</u>
LOSS BEFORE TAXATION AND MINORITY INTERESTS	3	(17,065)	(35,542)	(37,619)	(69,034)
TAXATION	4	<u>(933)</u>	<u>(2,307)</u>	<u>(1,859)</u>	<u>(4,436)</u>
LOSS BEFORE MINORITY INTERESTS		(17,998)	(37,849)	(39,478)	(73,470)
MINORITY INTERESTS		<u>130</u>	<u>(3,661)</u>	<u>1,186</u>	<u>(2,921)</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(17,868)	(41,510)	(38,292)	(76,391)
ACCUMULATED DEFICIT, beginning of period		<u>(521,918)</u>	<u>(336,659)</u>	<u>(501,494)</u>	<u>(301,778)</u>
		(539,786)	(378,169)	(539,786)	(378,169)
DIVIDENDS	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT, end of period		<u><u>(539,786)</u></u>	<u><u>(378,169)</u></u>	<u><u>(539,786)</u></u>	<u><u>(378,169)</u></u>
BASIC LOSS PER SHARE, Hong Kong cents	6	<u><u>(0.36)</u></u>	<u><u>(0.84)</u></u>	<u><u>(0.78)</u></u>	<u><u>(1.55)</u></u>
DILUTED LOSS PER SHARE, Hong Kong cents	6	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

**CONSOLIDATED BALANCE SHEET – UNAUDITED***AS AT 31 DECEMBER 2002*

		<b>As at 31 December 2002 HK\$'000</b>	<b>As at 30 June 2002 HK\$'000 (Audited)</b>
<b>Non-current assets</b>			
Fixed assets, net		<b>78,014</b>	83,799
Purchased programme and film rights	7	<b>28,675</b>	28,276
Land deposit	8	<b>29,177</b>	29,177
Interest in an associated company		<b>–</b>	–
		<b><u>135,866</u></b>	<b><u>141,252</u></b>
<b>Current assets</b>			
Cash and bank balances		<b>424,815</b>	451,327
Accounts receivable, net	9	<b>77,039</b>	115,713
Inventories		<b>5,651</b>	1,513
Prepayments, deposits and other receivables	10	<b>276,761</b>	242,024
Amounts due from related companies	16	<b>223</b>	127
Self-produced programmes		<b>18,543</b>	27,355
Purchased programme and film rights, current portion	7	<b>16,439</b>	14,308
		<b><u>819,471</u></b>	<b><u>852,367</u></b>
<b>Current liabilities</b>			
Accounts payable, other payables and accruals	11	<b>(84,153)</b>	(104,534)
Deferred income		<b>(12,650)</b>	(12,576)
Advertising revenue received in advance		<b>(29,149)</b>	(16,558)
Amounts due to related companies	16	<b>(39,336)</b>	(28,741)
Profits tax payable		<b>(2,775)</b>	(4,458)
		<b><u>(168,063)</u></b>	<b><u>(166,867)</u></b>
Net current assets		<b><u>651,408</u></b>	<b><u>685,500</u></b>
Total assets less current liabilities		<b>787,274</b>	826,752
<b>Non-current liability</b>			
Deferred taxation		<b>(252)</b>	(252)
<b>Minority interests</b>		<b><u>(8,796)</u></b>	<b><u>(9,982)</u></b>
		<b><u>778,226</u></b>	<b><u>816,518</u></b>
<b>Capital and reserves</b>			
Share capital	12	<b>493,173</b>	493,173
Reserves		<b>285,053</b>	323,345
Total shareholders' equity		<b><u>778,226</u></b>	<b><u>816,518</u></b>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED***FOR THE SIX MONTHS ENDED 31 DECEMBER 2002*

	<b>For the six months ended 31 December 2002 <i>HK\$'000</i></b>	For the six months ended 31 December 2001 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(21,344)</b>	(106,439)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(5,162)</b>	(18,066)
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES	<u><b>(6)</b></u>	<u>3,525</u>
DECREASE IN CASH AND BANK BALANCES	<b>(26,512)</b>	(120,980)
CASH AND BANK BALANCES, beginning of period	<u><b>451,327</b></u>	<u>664,624</u>
CASH AND BANK BALANCES, end of period	<u><b>424,815</b></u>	<u>543,644</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED***FOR THE SIX MONTHS ENDED 31 DECEMBER 2002*

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Accumulated deficit</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 July 2001	493,159	824,704	(301,778)	1,016,085
Loss attributable to shareholders	–	–	(76,391)	(76,391)
Exercise of share options	<u>14</u>	<u>135</u>	<u>–</u>	<u>149</u>
As at 31 December 2001	<u><u>493,173</u></u>	<u><u>824,839</u></u>	<u><u>(378,169)</u></u>	<u><u>939,843</u></u>
<b>As at 1 July 2002</b>	<b>493,173</b>	<b>824,839</b>	<b>(501,494)</b>	<b>816,518</b>
<b>Loss attributable to shareholders</b>	<u>–</u>	<u>–</u>	<u>(38,292)</u>	<u>(38,292)</u>
<b>As at 31 December 2002</b>	<u><u><b>493,173</b></u></u>	<u><u><b>824,839</b></u></u>	<u><u><b>(539,786)</b></u></u>	<u><u><b>778,226</b></u></u>

**NOTES TO THE HALF-YEARLY REPORT – UNAUDITED****1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited half-yearly report is prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 (revised), Interim financial reporting, issued by the Hong Kong Society of Accountants (“HKSA”).

This half-yearly report should be read in conjunction with the 2001/2002 annual accounts.

The accounting policies and method of computation used in the preparation of this half-yearly report are consistent with those used in the annual accounts for the year ended 30 June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

The adoption of these new or revised SSAPs did not have material impact to the Group’s results except for the reclassification of the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity.

## 2. SEGMENTAL INFORMATION

The Group is organised into four main business segments including:

- (i) Television broadcasting – broadcasting of television programmes and commercials;
- (ii) Programme production and ancillary services;
- (iii) Internet services – provision of website portal; and
- (iv) Other activities – merchandising services, magazine publication and distribution, and other related services.

An analysis of the Group's revenue and operating results for the period by business segments (primary reporting segment) is as follows:

	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	For the three months ended 31 December											
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
External sales	179,750	168,399	55	441	309	302	5,163	3,453	-	-	185,277	172,595
Inter-segment sales	-	-	2,031	4,802	-	-	-	-	(2,031)	(4,802)	-	-
<b>Total revenue</b>	<b>179,750</b>	<b>168,399</b>	<b>2,086</b>	<b>5,243</b>	<b>309</b>	<b>302</b>	<b>5,163</b>	<b>3,453</b>	<b>(2,031)</b>	<b>(4,802)</b>	<b>185,277</b>	<b>172,595</b>
Segment results	9,637	(4,005)	62	(1,827)	(1,950)	(2,853)	(315)	(959)	-	-	7,434	(9,644)
Unallocated expenses (Note i)											(24,499)	(25,898)
Loss before taxation and minority interests											(17,065)	(35,542)
Taxation											(933)	(2,307)
Loss before minority interests											(17,998)	(37,849)
Minority interests											130	(3,661)
Loss attributable to shareholders											(17,868)	(41,510)

## 2. SEGMENTAL INFORMATION (Continued)

	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	For the six months ended 31 December											
Revenue												
External sales	340,081	321,166	224	993	611	632	10,014	5,826	-	-	350,930	328,617
Inter-segment sales	-	-	4,043	10,149	-	-	-	-	(4,043)	(10,149)	-	-
Total revenue	<u>340,081</u>	<u>321,166</u>	<u>4,267</u>	<u>11,142</u>	<u>611</u>	<u>632</u>	<u>10,014</u>	<u>5,826</u>	<u>(4,043)</u>	<u>(10,149)</u>	<u>350,930</u>	<u>328,617</u>
Segment results	12,012	(11,571)	(1,233)	(1,411)	(4,215)	(5,655)	(892)	(2,699)	-	-	5,672	(21,336)
Unallocated expenses (Note i)											(43,291)	(47,698)
Loss before taxation and minority interests											(37,619)	(69,034)
Taxation											(1,859)	(4,436)
Loss before minority interests											(39,478)	(73,470)
Minority interests											1,186	(2,921)
Loss attributable to shareholders											<u>(38,292)</u>	<u>(76,391)</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.

### 3. LOSS BEFORE TAXATION AND MINORITY INTERESTS

Loss before taxation and minority interests is determined after crediting and charging the following:

	Three months ended		Six months ended	
	31 December		31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Interest income	1,735	3,637	3,488	8,352
Charging:				
Interest expenses	(3)	(18)	(6)	(38)
Depreciation of fixed assets	(5,531)	(4,769)	(10,947)	(9,162)
Loss on disposal of fixed assets	–	–	–	(542)
Programme amortisation costs	(18,453)	(16,982)	(36,592)	(32,780)
Amortisation of goodwill	–	(385)	–	(385)
	<u>–</u>	<u>(385)</u>	<u>–</u>	<u>(385)</u>

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001 – 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 period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated profit and loss account represents:

	Three months ended		Six months ended	
	31 December		31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
– Hong Kong profits tax	933	2,305	1,810	4,407
– Overseas tax	–	2	49	29
	<u>933</u>	<u>2,307</u>	<u>1,859</u>	<u>4,436</u>

As at 31 December 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 offset future taxable profits. The potential deferred tax asset has not been recognised in the unaudited financial statements of the Phoenix Group.

## 5. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months and six months ended 31 December 2002 (2001- nil).

## 6. LOSS PER SHARE

Loss per share for the three months ended 31 December 2002 is calculated based on unaudited consolidated loss attributable to shareholders for the three months ended 31 December 2002 of HK\$17,868,272 (three months ended 31 December 2001 – HK\$41,510,441) and the 4,931,730,000 (2001 – 4,931,730,000) weighted average number of ordinary shares outstanding during the three months ended 31 December 2002.

Loss per share for the six months ended 31 December 2002 is calculated based on unaudited consolidated loss attributable to shareholders for the six months ended 31 December 2002 of HK\$38,291,829 (six months ended 31 December 2001 – HK\$76,391,346) and the 4,931,730,000 (2001 – 4,931,688,457) weighted average number of ordinary shares outstanding during the six months ended 31 December 2002.

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

## 7. PURCHASED PROGRAMME AND FILM RIGHTS

	<b>Six months ended 31 December 2002 HK\$'000</b>	Twelve months ended 30 June 2002 HK\$'000 (Audited)
Balance, beginning of period/year	<b>42,584</b>	47,160
Additions	<b>27,610</b>	41,203
Disposals	<b>(821)</b>	(3,233)
Amortisation	<b>(24,259)</b>	(42,546)
	<hr/>	<hr/>
Balance, end of period/year	<b>45,114</b>	42,584
Less: Purchased programme and film rights – current portion	<b>(16,439)</b>	(14,308)
	<hr/>	<hr/>
	<b>28,675</b>	28,276
	<hr/> <hr/>	<hr/> <hr/>

## 8. 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 a building for the Phoenix Group. The total consideration for the acquisition is approximately HK\$57,354,000. Pursuant to the payment terms of the agreement, an amount of approximately HK\$29,177,000 has been paid to 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau) as the first instalment. A final payment of approximately HK\$28,177,000 (see Note 15b) 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.

## 9. ACCOUNTS RECEIVABLE, NET

An ageing analysis of accounts receivable is set out below:

	<b>As at 31 December 2002 HK\$'000</b>	<b>As at 30 June 2002 HK\$'000 (Audited)</b>
0 – 30 days	<b>19,279</b>	34,287
31 – 60 days	<b>14,997</b>	15,996
61 – 90 days	<b>7,096</b>	13,324
91 – 120 days	<b>6,840</b>	7,794
Over 120 days	<b>100,519</b>	115,500
	<b>148,731</b>	186,901
Less: Provision for doubtful debts	<b>(71,692)</b>	(71,188)
	<b>77,039</b>	115,713

The Group generally requires customers to pay in advance or cash on delivery, and grants a credit period of 30 days to 90 days to some customers. Prior to August 2002, the Group used to grant a credit period of 30 days to 120 days to some customers.

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK\$256,126,000 (as at 30 June 2002 – HK\$208,567,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the PRC. The amount represents advertising revenue collected by Shenzhou on behalf of the Group. The balance is unsecured, bears interests at prevailing bank interest rate and has no fixed repayment terms. Please refer to the announcement made by the Company on 25 September 2002 for details of the commercial and trust arrangements with Shenzhou.

The Trust Law in the PRC is relatively new and detailed implementation rules are not yet available, therefore the extent of the enforceability of the trust arrangement with Shenzhou is unclear at present. Although the management recognised that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.



## 11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31 December 2002 HK\$'000	As at 30 June 2002 HK\$'000 (Audited)
Accounts payable	8,919	16,216
Other payables and accruals	<u>75,234</u>	<u>88,318</u>
	<u><u>84,153</u></u>	<u><u>104,534</u></u>

An ageing analysis of accounts payable is set out below:

	As at 31 December 2002 HK\$'000	As at 30 June 2002 HK\$'000 (Audited)
0 – 30 days	5,244	9,558
31 – 60 days	891	653
61 – 90 days	573	128
91 – 120 days	448	657
Over 120 days	<u>1,763</u>	<u>5,220</u>
	<u><u>8,919</u></u>	<u><u>16,216</u></u>

## 12. SHARE CAPITAL

	Six months ended 31 December 2002		Twelve months ended 30 June 2002	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000 (Audited)
Authorised:				
Ordinary share of HK\$0.1 each	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Beginning of period/year	4,931,730,000	493,173	4,931,592,000	493,159
Exercise of share options	<u>-</u>	<u>-</u>	<u>138,000</u>	<u>14</u>
End of period/year	<u><u>4,931,730,000</u></u>	<u><u>493,173</u></u>	<u><u>4,931,730,000</u></u>	<u><u>493,173</u></u>

### 13. SHARE OPTION SCHEME

Details of options outstanding as at 31 December 2002 are as follows:

	Number of share options	
	Pre-IPO Share Option Scheme	Share Option Scheme
As at 1 July 2002	53,024,000	14,560,000
Add: share options granted during the period	–	2,866,000
Less: share options exercised during the period	–	–
Less: share options lapsed during the period	<u>(6,138,000)</u>	<u>(350,000)</u>
As at 31 December 2002	<u><u>46,886,000</u></u>	<u><u>17,076,000</u></u>

The subscription price per share under the Pre-IPO Share Option Scheme is HK\$1.08. The options granted under the Share Option Scheme can be exercised at prices ranging from HK\$0.79 to HK\$1.99 per share at any time commencing from one year to ten years after the respective dates of grant of the options in accordance with the terms set out in the Annual Report for the year ended 30 June 2002. The options granted are not recognised in the financial statements of the Phoenix Group until they are exercised.

### 14. PLEDGE OF ASSETS

As at 31 December 2002, deposits of approximately HK\$2,900,000 (as at 30 June 2002 – HK\$2,900,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

### 15. COMMITMENTS

#### (a) Film rights and programme acquisition

As at 31 December 2002, the Phoenix Group had aggregate outstanding film rights and programme related commitments of approximately HK\$128,577,000 (as at 30 June 2002 – HK\$140,917,000) of which approximately HK\$125,704,000 (as at 30 June 2002 – HK\$138,608,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited extending to 27 August 2008 and approximately HK\$2,873,000 (as at 30 June 2002 – HK\$2,309,000) was in respect of other programme acquisition agreements with third parties. Total film rights and programme related commitments are analysed as follows:

	As at 31 December 2002 HK\$'000	As at 30 June 2002 HK\$'000 (Audited)
Total committed purchase costs of film rights and programmes payable:		
– not later than one year	23,364	23,668
– later than one year and not later than five years	90,588	89,720
– later than five years	<u>14,625</u>	<u>27,529</u>
	<u><u>128,577</u></u>	<u><u>140,917</u></u>

## 15. COMMITMENTS (Continued)

### (b) Land use right

As explained in Note 8, the Phoenix Group has an outstanding commitment to pay approximately HK\$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.

## 16. RELATED PARTY TRANSACTIONS

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

In the normal course of business, the Phoenix Group had the following significant transactions with related parties:

		Three months ended		Six months ended	
		31 December		31 December	
		2002	2001	2002	2001
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office premises rental paid/ payable to Satellite Television Asian Region Limited	a, b	–	1,593	257	3,186
Service charges paid/payable to Satellite Television Asian Region Limited	a, c	22,655	34,416	46,587	69,415
Commission for advertising sales and marketing services paid/ payable to Satellite Television Asian Region Limited	a, d	3,982	2,172	5,440	3,521
Commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, e	588	494	1,152	970
Sales of decoders to Satellite Television Asian Region Limited	a, f	18	–	18	–
Film licence fees paid/payable to STAR TV Filmed Entertainment Limited	a, g	5,101	5,101	10,202	10,202
Programme licence fees paid/ payable to other STAR TV group companies	a, h	–	–	–	675
Programme licence fees paid/payable to ATV Enterprises Limited	h, i	1,570	880	11,783	1,105
Sale of a motor vehicle to ATV Enterprises Limited	i, j	–	–	323	–

## 16. RELATED PARTY TRANSACTIONS (Continued)

Service charges paid/payable to Asia Television Limited	i, k	<b>66</b>	98	<b>117</b>	400
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	l, m	<b>1,023</b>	1,007	<b>2,047</b>	2,046
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	n, o	<b>1,842</b>	456	<b>2,572</b>	456

### 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 major 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. Satellite Television Asian Region Limited subsequently surrendered the area occupied by the Phoenix Group to the landlord. Pursuant to a tenancy agreement dated 6 February 2003 between the Group and such landlord, the landlord rented to the Phoenix Group directly the said office space for a term of 4 years commencing from 15 July 2002. Therefore, no rental is payable to Satellite Television Asian Region Limited starting from 15 July 2002.
- (c) Service charges paid/payable to Satellite Television Asian Region Limited cover the following services provided to the Phoenix Group which are charged either based on terms (i) mutually agreed upon between both parties or (ii) 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% (2001 – 4% – 20%) of the net advertising income generated and received by it on behalf of the Phoenix Group after deducting the relevant amount of the third party agency fees.

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) The commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 15% (2001 – 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.
- (f) Sales of decoders to Satellite Television Asian Region Limited are charged based on terms mutually agreed upon between both parties.
- (g) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR TV Filmed Entertainment Limited.
- (h) The programme licence fees paid/payable to other STAR TV group companies and ATV Enterprises Limited are negotiated on a case-by-case basis.
- (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 46% of Asia Television Limited as at 31 December 2002.
- (j) Sale of a motor vehicle to ATV Enterprises Limited is based on terms mutually agreed upon between both parties.
- (k) 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 both parties.
- (l) Fox is an associate of STAR Television Holdings Limited.
- (m) 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 access to workspace, subject to availability; 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.
- (n) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of STAR Television Holdings Limited.
- (o) Service charges paid/payable to BSkyB cover the following services provided to the Phoenix Group which are charged based on terms specified in the service agreements:
  - transponder rental;
  - uplinking services; and
  - encoding and electronic programme guide services

## **17. COMPARATIVE FIGURES**

Certain expenses previously classified as selling, general and administrative expenses are now classified as operating expenses to conform to the current period's presentation.