



Phoenix Satellite Television Holdings Limited  
*(Incorporated in the Cayman Islands with limited liability)*

# Report for the six months

ended 31 December 2003

**Phoenix Satellite Television Holdings Limited**

9th Floor, One Harbourfront, 18 Tak Fung Street,

Hunghom, Kowloon, Hong Kong.

Tel: 852 2621 9888

Fax: 852 2621 9898

Website: <http://www.phoenixtv.com>

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

LIU, Changle (*Chairman*)

CHUI, Keung

#### *Non-Executive Directors*

GUTHRIE, Michelle Lee

LAU, Yu Leung John

CHEUNG, Chun On Daniel

XU, Gang

CHEUNG, San Ping

#### *Independent Non-Executive Directors*

LO, Ka Shui

KUOK, Khoon Ean

#### *Alternate Director (who is not already a Director)*

GONG, Jianzhong

### Compliance Officer

CHUI, Keung

### Company Secretary

YEUNG, Ka Keung, A.C.A.

### Cayman Islands Assistant Secretary

Codan Trust Company (Cayman) Limited

### Qualified Accountant

YEUNG, Ka Keung, A.C.A.

### Audit Committee

KUOK, Khoon Ean

LO, Ka Shui

LAU, Yu Leung John

### Website Address

[www.phoenixtv.com](http://www.phoenixtv.com)

### Auditors

PricewaterhouseCoopers

### Head Office and Principal Place of Business

9th Floor, Office Tower One

The Harbourfront

18 Tak Fung Street

Hunghom

Kowloon

Hong Kong

### Registered Office

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681GT, George Town

Grand Cayman

British West Indies

### Principal Share Registrar

Bank of Butterfield International (Cayman) Ltd.

P.O. Box 705

Butterfield House

Fort Street

George Town

Grand Cayman, Cayman Islands

### Hong Kong Branch Share Registrar

Hong Kong Registrars Limited

Shops 1712-1716

17/F., Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

### Principal Bankers

Hongkong and Shanghai Banking Corporation Limited

Bank of Communications

Bank of China (Hong Kong) Limited

China Construction Bank

Industrial and Commercial Bank of China (Asia)

Limited

### GEM Stock Code

8002





# CHAIRMAN'S STATEMENT

## HIGHLIGHTS

- A strong rebound in revenue, which increased by 30.2%, occurred during the three months ended 31 December 2003 following the poor performance of the preceding quarter due to the after effects of SARS, thereby causing the loss from operations to be reduced by 40.4% for the same period.
- Revenue of the Group for the six months ended 31 December 2003 decreased marginally by 0.2% to approximately HK\$350,347,000 and loss from operations reduced by 10.8% to approximately HK\$44,579,000, as compared with the six months ended 31 December 2002.
- Phoenix InfoNews Channel doubled its revenue to approximately HK\$17,641,000 for the six months ended 31 December 2003 as compared with the same period in 2002.
- The initial response shows that the new measures introduced in the last quarter of 2003 for the sale of Phoenix channels' 2004 advertising air time in mainland China have been extremely successful, giving the management tremendous confidence that revenue for this year will grow substantially.
- Phoenix has maintained its pioneering role in introducing new programming to the Chinese television world, staging its own first ever the Miss Chinese World contest and playing a major role in organising the 53rd Miss World contest, which was held for the first time in China, in Hainan.

## RESULTS

	<b>Six months ended 31 December</b>	
	<b>2003 HK\$'000</b>	2002 HK\$'000 (Unaudited)
Phoenix Chinese Channel	<b>296,763</b>	307,766
Phoenix InfoNews Channel	<b>17,641</b>	8,649
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	<b>23,772</b>	23,665
Other businesses	<b>12,171</b>	10,850
Group's total revenue	<b>350,347</b>	350,930
Operating costs	<b>(394,926)</b>	(400,934)
Loss from operations	<b>(44,579)</b>	(50,004)
Loss attributable to shareholders	<b>(38,866)</b>	(38,292)
Loss per share, Hong Kong cents	<b>(0.79)</b>	(0.78)

	<b>Three months ended</b>		
	<b>31 December 2003 HK\$'000 (Unaudited)</b>	30 September 2003 HK\$'000 (Unaudited)	31 December 2002 HK\$'000 (Unaudited)
Revenue	<b>198,139</b>	152,208	185,277
Loss from operations	<b>(16,652)</b>	(27,927)	(23,302)
Loss attributable to shareholders	<b>(13,235)</b>	(25,631)	(17,868)

## CHAIRMAN'S STATEMENT

### FINANCIAL REVIEW

Revenue of the Group for the six months ended 31 December 2003 was approximately HK\$350,347,000 with a 0.2% marginal decrease as compared with the same period last year. Although the figure is very similar to the same six months in the previous calendar year, Phoenix achieved this by recovering strongly in the second half of this six-month period from an exceptionally weak performance during the first half, which was suffering from the post-SARS economic downturn. Compared with the previous quarter of the current financial period, revenue grew substantially by 30.2%. This increase was mainly attributable to revenue from major events such as the beauty contests and the special programmes staged during Christmas and in the lead-up to the new year.

Advertising revenue for the six months ended 31 December 2003, which represented 90.2% of the Group's total revenue, had a marginal increase of 0.5% as compared with the same period last year. While Phoenix Chinese Channel remained the main revenue generator of the Group, it is worth noting that Phoenix InfoNews Channel had doubled its revenue to approximately HK\$17,641,000 for the six months ended 31 December 2003 as compared with the same period in 2002. Operating costs for the six months ended 31 December 2003 were approximately HK\$394,926,000, representing a 1.5% decrease.

Loss from operations for the six months ended 31 December 2003 decreased by 10.8% to approximately HK\$44,579,000 as compared with the same period last year. Loss attributable to shareholders for the six months ended 31 December 2003 increased slightly by 1.5% to approximately HK\$38,866,000.

By comparing the quarter ended 31 December 2003 with the previous quarter, there were satisfactory improvements in both loss from operations and loss attributable to shareholders which decreased by 40.4% and 48.4% respectively. This improvement was mainly attributable to the increase of advertising revenue.

### BUSINESS OVERVIEW

Phoenix's performance of the final three months of 2003 was markedly superior to the performance over the previous quarter, which tends to confirm the assessment voiced in the Group's previous quarterly report to the effect that the downturn in income in that quarter was an irregular phenomenon brought about by the after-effects of SARS in the Chinese and Hong Kong markets. The 30.2% increase in revenue that was achieved in the final quarter of 2003 shows that Phoenix reacted swiftly to resume its regular level of performance.

In late 2003, Phoenix introduced new measures for selling its advertising air time in the mainland Chinese market starting January 2004 by expanding from its primarily single agent arrangement to a multiple agencies model. The initial number and consideration of new contracts concluded under these new measures show that the response has been very enthusiastic.

### TELEVISION BROADCASTING

Phoenix has continued to pursue a policy of innovative and bold television programming in the context of the China television market, which over the last quarter was dramatically demonstrated in the staging of the Miss Chinese World contest. The event drew contestants from the global Chinese community and culminated in a grand finals show in Hong Kong in early November 2003. The success of this event has led Phoenix to decide to make an annual event of this pageant, which from this year onwards will be known as the Miss Chinese Cosmos contest. Phoenix also acted as the organising party and facilitator in China for the 53rd Miss World contest, which was held for the first time in China in Hainan, in early December 2003, and for which Phoenix held the exclusive broadcasting rights in mainland China.

Phoenix has also continued to play a leading role in reporting on key regional and global political developments, thus providing its audience with up-to-date information on world events. Phoenix, for example, has followed developments in the Taiwan election closely, and has also interviewed senior US officials on developments in the region. Phoenix's current affairs programmes are also proving to be extremely popular. "Daily Summary of Press", for example, which provides a round-up of the lead stories in Chinese and international newspapers, has attracted extensive positive comment from specialist media commentators. Phoenix has also strengthened its coverage of Chinese news stories by stationing senior reporters in both Beijing and Shanghai.



## CHAIRMAN'S STATEMENT

### PROSPECTS

The positive factors that have been reflected in the strong recovery in business performance over the last three to four months will clearly be reinforced by the impact of the new advertising sales measures that began to operate in January this year. As mentioned above, the initial number and consideration of new contracts concluded under these new measures indeed gives the management tremendous confidence in looking ahead to this new calendar year, with which Phoenix has now aligned its financial year, being a markedly improved year in terms of revenue performance. In the long run, the management is optimistic that the Chinese advertising market will continue to grow steadily and Phoenix's share in this market will likewise increase as Phoenix's innovative programming continues to enhance Phoenix's appeal to the mainland Chinese audience.



## MANAGEMENT DISCUSSION AND ANALYSIS

To facilitate better understanding of the Group's performance, the comparison presented below covered the six months ended 31 December 2003 and six months ended 31 December 2002 (unaudited) (with the exception to staff costs where a 12-month historical figure is adopted for comparison).

### COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of our businesses for the six months ended 31 December 2003 and 2002 respectively.

	Six months ended 31 December	
	2003 HK\$'000	2002 HK\$'000 (Unaudited)
Phoenix Chinese Channel	84,087	102,054
Phoenix InfoNews Channel	(51,464)	(60,255)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	(25,133)	(37,563)
Other businesses	(4,915)	(7,437)
Corporate overheads	(47,154)	(46,803)
Loss from operations	<u>(44,579)</u>	<u>(50,004)</u>

Revenues from television broadcasting, comprising of both advertising and subscription revenues, which accounted for 96.5% of the Group's total revenue for the six months ended 31 December 2003, decreased slightly by 0.6% to approximately HK\$338,176,000 (six months ended 31 December 2002: HK\$340,081,000). The segmental result for television broadcasting recorded a profit of approximately HK\$9,627,000 for the same period (six months ended 31 December 2002: HK\$12,012,000).

Revenue from the Group's flagship channel, Phoenix Chinese Channel, which accounted for 84.7% of the Group's total revenue for the six months ended 31 December 2003, decreased by 3.6% to approximately HK\$296,763,000 (six months ended 31 December 2002: HK\$307,766,000).

Having strengthened programming and placed greater emphasis on viewership expansion, Phoenix InfoNews Channel successfully doubled its revenue to approximately HK\$17,641,000 (six months ended 31 December 2002: HK\$8,649,000) and the operating loss was reduced by 14.6% to approximately HK\$51,464,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK\$60,255,000).

Subscription revenue of Phoenix North America Chinese Channel maintained a steady growth, whilst such increase in revenue was offset by the decrease of revenue in Phoenix Movies Channel due to the termination of the minimum guarantee arrangement with an agent in the PRC for this channel. Phoenix Chinese News and Entertainment Channel maintained a steady performance. The improvement of the overall operating results of the three channels was mainly contributed by the saving in operating costs.

Revenue from programme production and ancillary services was approximately HK\$11,900,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK\$4,267,000), which represented an encouraging 1.8 times increase as compared to the same period last year. Segmental result for programme production and ancillary services record a marginal profit of approximately HK\$26,000 for the period, as compared with a loss of approximately HK\$1,233,000 in the same period last year.





## MANAGEMENT DISCUSSION AND ANALYSIS

### COMMENTS ON SEGMENTAL INFORMATION *(Continued)*

The performance of the internet services and other activities, which included advertising & subscription revenue from magazine and handling income from television subscription, improved gradually for the past six months. Segmental loss for the internet services and other activities were approximately HK\$3,571,000 (six months ended 31 December 2002: HK\$4,215,000) and approximately HK\$618,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK\$892,000), represented a decrease of 15.3% and 30.7% respectively as compared with the same period last year. Such reduction in loss was mainly attributable to the reduction in operating costs.

Please refer to note 2 of the notes to the accounts for a detailed analysis on segmental information and the television broadcasting section under the “Business Overview” in this report for commentary of our core business.

### DIVIDEND

The Board does not recommend the payment of a dividend in order to allow for cash for future business development (year ended 30 June 2003: Nil).

### ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Phoenix Real Properties Limited (“Real Properties”) is a wholly owned subsidiary of the Group which owns 90% interest in a sino-foreign co-operative joint venture company in the PRC. Such joint venture has 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 PRC for the development of a building including a production centre for the Group. The total consideration for the acquisition has been paid.

Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity Limited (“Oasiscity”), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as “Neo-Tech Global Limited”), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties, which owns 90% interest in 深圳鳳凰置業有限公司.

Upon completion of acquisition of 60% equity interest in Real Properties by Oasiscity, the Phoenix Group shall not be required to provide any further financing for the development of the building and will be entitled to a portion of the non-saleable area. Oasiscity shall be responsible for providing all required financing for the development of the building.

Upon the completion of the development of the building, it is expected that the Group’s entitlement to the relevant portion of the non-saleable area will have a value of not less than current carrying value of approximately HK\$61,120,000.

Despite the fact that the formal issuance of shares to Oasiscity has not been completed as at 31 December 2003, it was agreed between the Phoenix Group and Oasiscity that control on the operational and financial decisions on Real Properties and 深圳鳳凰置業有限公司 should pass on 29 October 2003. Accordingly, Real Properties and 深圳鳳凰置業有限公司 were not accounted for as subsidiaries of Phoenix Group since 29 October 2003 (see Note 16).

Other than the above mentioned, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 December 2003.

\* name translated for reference only

### LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2003 were similar to those of the Group as at 30 June 2003. The aggregate outstanding borrowings of the Group as at 31 December 2003 were approximately HK\$9,982,000 (as at 30 June 2003: HK\$11,887,000), representing current accounts with related companies which were unsecured and non-interest bearing. Such minor 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 23.4% as at 31 December 2003 (as at 30 June 2003: 24.2%). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGE ON ASSETS

As at 31 December 2003, deposits of approximately HK\$3,400,000 (as at 30 June 2003: HK\$3,300,000) were pledged with a bank to secure a banking 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 2003 and 30 June 2003.

### CAPITAL STRUCTURE

During the six months ended 31 December 2003, there is no change in the Company's share capital. As 31 December 2003, the Group's operations were financed mainly by shareholders' equity.

### STAFF

As at 31 December 2003, the Group employed 597 full time staff (as at 30 June 2003: 596), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes, discretionary bonus and employee share option scheme. Staff costs for the six months ended 31 December 2003 was approximately HK\$99,672,000 (year ended 30 June 2003: HK\$194,882,000).

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 INVESTMENT

The Group has not held any significant investment for the six months ended 31 December 2003.

### 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 28 to the accounts, the Group had no material contingent liabilities as at 31 December 2003 and 30 June 2003 respectively.





## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### DIRECTORS

#### Executive Directors

**Mr. LIU, Changle**, aged 52, appointed on 2 February 2000, is the Chairman and Chief Executive Officer of the Company. Mr. LIU graduated from the Beijing Broadcasting Institute in the early 1980s and joined China Central People's Radio Station, with which he has held over the years the positions of reporter, editor, news commentator and senior management, and participated in the reporting and commentary of a number of important national occasions and events.

Mr. LIU's PRC domestic and overseas investments include broadcasting, petroleum, infrastructure construction, real estate development, trading and cultural businesses.

On 31 March 1996, Mr. LIU, through Today's Asia Limited, which is 93.3% owned by him, together with Satellite Television Asian Region Limited and China Wise International Limited, jointly founded Phoenix Satellite Television Company Limited ("Phoenix Satellite TV"). He became and remains the Chairman of the Board and the Chief Executive Officer of Phoenix.

In the January 2000 issue of the "Voices of China" monthly magazine, Mr. LIU was selected as one of the top ten personalities of the "Voices of China".

In August 2000, 新新聞周報 of Taiwan, Ming Pao of Hong Kong and Hong Kong Metro Broadcast Corporation Limited jointly held a survey of "Power 50 Year 2000". Mr. LIU ranked 78 among the 150 nominated candidates from the Greater China region.

In December 2000, Mr. LIU was selected as "Intellect of the Media" in the "Top Ten Pairs in Focus 2000" election organized by Chinanews (中國新聞周刊), operated by China News Services (中國新聞社).

In June 2001, Mr. LIU was ranked 17th of Asia's most influential communicators in "The Power 50 2001" survey organized by Asia Week. Mr. LIU was also listed in the "Man of the Cover in the 21st Century Award" (21世紀封面人物) jointly organised by United Nations Development Programme, Poverty Reduction Office of the State Council (國務院扶貧辦) and Hong Kong Commercial Daily.

Mr. LIU is engaged by some provincial and municipal governments as their cultural advisor and economic cooperation advisor. Moreover, he is engaged by some publishing and cultural organisations as their honorary advisor.

Mr. LIU is a Council member of Nanjing University and a visiting professor of the Beijing Broadcasting Institute.

Mr. LIU is one of the substantial shareholders of Asia Television Limited ("ATV") and a member of the International Board of the US National Academy of Television Arts and Sciences.

**Mr. CHUI, Keung**, aged 52, appointed on 5 June 2000, is the Executive Director and Deputy Chief Executive Officer of the Company. Mr. CHUI graduated from the department of journalism of Fudan University in Shanghai and served in the China Central People's Radio Station for over 10 years. Since the establishment of Phoenix on 31 March 1996, he has been in charge of the overall daily operations, the public relations and promotion strategies of Phoenix, and the coordination of the relationships with PRC government entities. He also assists in establishing and implementing the corporate development strategies of the Company.

Throughout the term of office with the Phoenix Group, Mr. CHUI has been instrumental in Phoenix's PRC domestic business development, programme production, advertising operation, marketing network and public relations. In 1996, he was in charge of the production of "Flying over the Yellow River", a major television programme of Phoenix, which achieved popular success and heightened the popularity of Phoenix in the PRC and overseas Chinese communities.

Prior to joining Phoenix, Mr. CHUI was a Director and the general manager of Tianhua International Culture and Art Company Limited in Beijing focusing on developing various cultural, arts and publication businesses.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### Non-Executive Directors

**Ms Guthrie, Michelle Lee**, aged 38, appointed as director of the Company on 31 July 2003, is the Chief Executive Officer of STAR. She joined STAR in June 2000. Before that, she was Director of Legal and Business Development at FOXTEL from 1998 to 2000, responsible for all legal and business development functions. Before FOXTEL, Ms GUTHRIE was corporate counsel in London for News International plc and British Sky Broadcasting Limited. Ms GUTHRIE has extensive pay-television experience in Asia, Australia and Europe. She graduated from the University of Sydney with Bachelor of Arts and Bachelor of Laws (Hons) degrees.

**Mr LAU, Yu Leung, John**, aged 41, appointed on 5 June 2000, holds the position of Chief Financial Officer and Executive Vice President, Business Development of STAR. Mr Lau has overall responsibility for all financial matters of STAR, including corporate strategy, management and financial reporting, internal audit, treasury and tax. In addition, he heads the business development division, identifying and developing growth opportunities for the company.

Prior to joining STAR, Mr LAU was the Chief Financial Officer of San Miguel Brewing International Ltd, responsible for the company's financial operations throughout Asia Pacific.

Before this role, Mr LAU also held senior financial positions at GE Information Services, Philip Morris Asia Inc and Deloitte & Touche in Los Angeles, USA.

Mr LAU graduated from Brigham Young University in Utah in August 1988, with Masters in Accountancy and Information Systems and a Bachelor of Science degree in Accounting. He is a member of the California Institute of Certified Public Accountants.

**Mr. CHEUNG, Chun On, Daniel**, aged 44, is Executive Vice President of STAR, News Corporation's Asian satellite television and multi-media services. He is also Chief Operating Officer of China Network Systems, a joint venture between STAR and the Koos Group in Taiwan, responsible for managing Koos' cable systems, their upgrade and digitization processes.

Before assuming his present positions, Mr. CHEUNG was General Manager of STAR in Taiwan overseeing advertising sales, subscription television service and television program production. He was previously Deputy Regional Director for Greater China, responsible for distribution and marketing in the market.

Mr. CHEUNG graduated from Hong Kong Polytechnic in Electronic Engineering. Before joining STAR in 1991, he was the technical consultant of The Hong Kong Telecom for the Global Virtual Private Network.

**Mr. XU Gang**, aged 47, is a Non-Executive Director of the Company since 13 November 2000. Mr. XU has extensive experience in banking and investment. He was the Deputy Chief Executive Officer of BOC International Holdings Limited ("BOCI") and the Chairman of a number of subsidiary companies of BOCI. Currently, he is the Director and Chief Executive Officer of Bank of China Group Investment Limited ("BOCGI") and director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

**Mr. CHEUNG San Ping**, aged 48, appointed on 2 January 2001 as a Non-executive Director of the Company. Mr. CHEUNG has extensive experience in trading.





## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### Independent Non-executive Directors

**Dr. LO, Ka Shui**, aged 57, appointed on 5 June 2000, is the Deputy Chairman and Managing Director of Great Eagle Holdings Limited. He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited and China Mobile (Hong Kong) Limited. He is also a Director of Hong Kong Exchanges and Clearing Limited (also a past chairman of the listing committees of the Main Board and Growth Enterprise Market), a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a member of the Council of Advisors on Innovation and Technology and a member of the Airport Authority, and a past chairman of the Hospital Authority. He graduated with a Bachelor of Science degree from McGill University and M.D. from Cornell University. He is certified in Cardiology. He has more than 24 years' experience in property and hotel development and investment both in Hong Kong and overseas.

**Mr. KUOK, Khoon Ean**, aged 48, appointed on 5 June 2000, has been with the KUOK Group since 1978 and is the Chairman of SCMP Group Limited. He is a Director of Kerry Holdings Limited and Kerry Group Limited. He is also a Director of a number of publicly listed companies in Malaysia and Singapore. He graduated from Nottingham University, United Kingdom with a Bachelor's degree in Economics.

### Alternate Director

**Mr. GONG Jianzhong**, aged 41, is an Alternate Director to Mr. XU Gang, Non-executive Director of the Company, since 18 April 2001. Mr. GONG has extensive experience in banking and investment. He was the Head of Bank of China, Shao Yang Branch. Currently, he is the Deputy CEO of BOCGI and director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

### Senior Management

**Mr. LEUNG, Noong Kong**, aged 55, currently holds the position of Deputy Chief Executive Officer of the Company. Mr. LEUNG had been instrumental in the setting up of the Phoenix Group and has been part of its senior management team ever since its inception. His primary responsibilities include the supervision of the day-to-day operations of the Phoenix Group, the establishing of management structures pertaining to the evolving operations of the Phoenix Group, as well as the mapping out of strategies, in conjunction with the Chief Executive Officer of the Company, for the business development of the Phoenix Group. Mr. LEUNG joined Satellite Television Asian Region Limited in 1991. From 1991 to 1995, he was involved in various tasks relating to the development of STAR's business in the Greater China region. He also played a pivotal role in the launching of STAR Chinese Channel and STAR Movies Channel in 1991 and 1993 respectively. Following the formation of Phoenix Satellite TV, Mr. LEUNG was again instrumental in the launching of the Phoenix Chinese Channel and the Phoenix Movies Channel and the taking control in the management of the Phoenix CNE Channel.

Mr. LEUNG is a well-known figure in the Hong Kong media and broadcasting field. He hosted a film magazine programme for the Jade Channel of Television Broadcasting Limited ("TVB") in the late 1960s. From 1969 to 1972, he then worked as a translator and editor for one of Hong Kong's first finance newspapers, Ming Pao Evening News. From 1971 to 1978, he worked respectively for the United States Information Service in Hong Kong and the BBC External Services in London as editor, programme producer and news announcer. Thereafter, he spent 10 years with TVB, programming for its Jade Channel and Pearl Channel at different times. He had also been with ATV for a short period. While at TVB and ATV, and subsequently at STAR, he set up the internal standards and practices departments for all three and he was well versed in all the regulatory issues involved in television broadcasting in Greater China region.

Apart from being an experienced personality in the media field, Mr. LEUNG is also a renowned writer on the cinema and on cultural studies in Hong Kong and Taiwan, as well as a published author of several books in these fields. He had also been a programme consultant to many international film festivals, including the Hong Kong International Film Festival, and had sat on the editorial boards for many prestigious publications at various times.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Mr. WANG, Jiyao**, aged 55, joined Phoenix in March 1996. Mr. WANG is the Executive Vice President of Phoenix Satellite TV and the Company and Head of the Phoenix Chinese Channel. Mr. WANG has taught in Beijing Broadcasting Institute for more than twenty years.

Mr. WANG is one of the leading television programme producers in China and participated in the direction and production of a number of television programmes in early years. His television programme productions have won numerous domestic and overseas awards.

Mr. WANG is also a scholar in the television industry and has been the panelist of various international television festivals and the presenter of international Chinese language television festivals. He is also a renowned media educator and enjoys a professor title. During the two decades of teaching in the Beijing Broadcasting Institute, he was the head of the television department for over ten years and was the deputy dean of the Beijing Broadcasting Institute for six years.

**Mr. YEUNG, Ka Keung**, aged 44, is the Executive Vice President and Chief Financial Officer of Phoenix Satellite TV and the Company in charge of corporate finance and administration. Mr. YEUNG joined Phoenix in March 1996 and has been in charge of all of Phoenix's internal and external financial management and arrangements as well as the supervision of administration and personnel matters.

Mr. YEUNG graduated from the University of Birmingham and remained in the United Kingdom until 1992 after obtaining his qualification as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and STAR in the field of finance and business development.

**Mr. CHAU Kwan**, aged 48, is the Executive Vice President of Phoenix Satellite TV. He graduated from the Beijing Broadcasting Institute in July 1990 with a major in Editing Studies in School of Television.

Mr. CHAU Kwan joined Phoenix in 1998. He has been the head of Phoenix Movies Channel, General Manager of Phoenix Film and Television (Shenzhen) Co. Limited (鳳凰影視(深圳)有限公司), Vice President and Deputy Director of Programming of Phoenix Satellite TV. He is currently responsible for advertising and marketing networks.





## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Phoenix Group") for the six months ended 31 December 2003 (the "period").

### PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 19 to the accounts.

An analysis of the Group's performance for the period by business and geographical segments is set out in note 2 to the accounts.

### CHANGE OF FINANCIAL YEAR END

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year cycle.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

### RESULTS AND APPROPRIATIONS

The results of the Group for the period are set out in the consolidated profit and loss account on page 31.

The Directors do not recommend the payment of a dividend.

### RESERVES

Movements in the reserves of the Group and the Company during the period are set out in note 24 to the accounts.

### DONATIONS

Charitable donations made by the Group during the period amounted to approximately HK\$20,000 (year ended 30 June 2003: HK\$17,000).

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the accounts.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 22 and note 23 respectively to the accounts.

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2003, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$784,315,000 (as at 30 June 2003: HK\$784,657,000).

### FIVE PERIOD/YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial period/years is set out on page 72.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors during the period were:

#### Executive Directors:

LIU, Changle

(Alternate Director to CHUI, Keung)

CHUI, Keung

(Alternate Director to LIU, Changle)

#### Non-Executive Directors:

MURDOCH, James Rupert

(Resigned on 10 November 2003)

GUTHRIE, Michelle Lee

(Alternate Director to LAU, Yu Leung John and  
CHEUNG, Chun On Daniel)

(Appointed on 31 July 2003)

CHURCHILL, Bruce Barrett

(Alternate Director to LAU, Yu Leung John and  
CHEUNG, Chun On Daniel)

(Resigned on 31 July 2003)

LAU, Yu Leung John

(Alternate Director to CHEUNG, Chun On Daniel)

(Alternate Director to MURDOCH, James Rupert  
for the period up to 10 November 2003)

(Alternate Director to CHURCHILL, Bruce Barrett  
for the period up to 31 July 2003)

CHEUNG, Chun On Daniel

(Alternate Director to LAU, Yu Leung John)

(Alternate Director to MURDOCH, James Rupert  
for the period up to 10 November 2003)

(Alternate Director to CHURCHILL, Bruce Barrett  
for the period up to 31 July 2003)

XU, Gang

CHEUNG, San Ping

(Alternate Director to LIU, Changle and CHUI, Keung)

#### Independent Non-executive Directors:

LO, Ka Shui

KUOK, Khoon Ean

#### Alternate Director:

GONG, Jianzhong

(Alternate Director to XU, Gang)

In accordance with the Articles of Association of the Company, CHUI, Keung and CHEUNG, San Ping will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company.





## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

On 10 September 2003, each of the Executive Directors of the Company has entered into a new service contract with the Company commencing from 1 July 2003. The term of each contract will be for a term of three years commencing from 1 July 2003 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

The terms of office of each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by Directors, were as follows:

#### Ordinary shares

Name	Number of shares held				Total number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest	Other interest		
LIU, Changle *	-	-	1,854,000,000	-	1,854,000,000	37.6%

*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 2003.

\* Being an Executive Director of the Company.

Save as disclosed herein, as at 31 December 2003, none of the Directors or chief executives of the Company, had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEMES

### (A) Share option schemes 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 following is a summary of the principal terms of the Pre-IPO Share Option Scheme as at 31 December 2003:

##### *Purpose of the scheme*

The purpose of the scheme, though not explicitly stated in the scheme document, is to recognise the contribution of certain employees to the growth of the Group and/or to the listing of shares of the Company ("Shares") on the Growth Enterprise Market of the Stock Exchange ("GEM").

##### *The participants of the scheme*

Employees of any member of the Company, including any Executive Directors of any member of the Group who have commenced working for the Group for not less than one month prior to the date of grant of an option and spent not less than twenty hours per week in providing services to the Group may take up options to subscribe for Shares.

##### *The total number of securities available for issue*

The total number of Shares available for issue under options which may be granted under the Pre-IPO Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM on 30 June 2000 (the "Listing Date").

The total number of Shares in respect of which options are issuable under the scheme is 484,706,000 Shares, representing 10% and 9.8% of the issued share capital of the Company as at the Listing Date and as at the date of this report respectively.

##### *The maximum entitlement of each participant under the scheme*

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of Shares the subject of such option, when added to the number of Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of Shares previously subscribed by the eligible person under any options granted to the eligible person under the scheme exceeding 25% of the aggregate number of Shares available for subscription under the scheme at that time.



## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEMES *(Continued)*

#### (A) Share option schemes of the Company *(Continued)*

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

###### *Time of exercise of option*

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in options which is exercisable</b>
between the date of grant of an option and less than 12 months following the date of grant of an option	zero
between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
any time falling 48 months from the date of grant of an option and thereafter	100%

###### *Minimum holding period*

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

###### *The amount payable on acceptance of the option*

The date by which the option must be applied for being a date not more than three days from (and including) the date on which the letter of offer of the grant of option is issued by the Company ("Offer Date"). Upon acceptance of the option, the option holder shall pay HK\$1 to the Company as consideration of the grant.

###### *The basis of determining the exercise price*

Same as the offer price for the Shares as set out in the prospectus of the Company dated 21 June 2000 (the "Prospectus").

###### *The remaining life of the scheme*

The scheme period expires upon the listing of the Company on the GEM, for which the option expires when the vesting period ends.



## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEMES (Continued)

#### (A) Share option schemes of the Company (Continued)

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

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\$	Number of share options			Balance as at 31 December 2003
				Balance as at 1 July 2003	Lapsed during the period	Exercised during the period	
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
102 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	37,256,000	(638,000)	-	36,618,000
Total:							
104 employees				46,566,000	(638,000)	-	45,928,000

During the six months ended 31 December 2003, 638,000 options granted to 4 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.

Save as stated above, no option has been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Pre-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Pre-IPO Share Option Scheme.

##### (2) Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme as at 31 December 2003:

###### *Purpose of the scheme*

The purpose of the scheme is to retain and provide incentives to the employees of the Group to achieve its business objectives.

###### *The participants of the scheme*

Employees of any member of the Company, including any Executive Directors of any member of the Phoenix Group, in the full-time employment of the Company (or its subsidiaries) may take up options to subscribe for Shares.





# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEMES *(Continued)*

### (A) Share option schemes of the Company *(Continued)*

#### (2) Share Option Scheme *(Continued)*

##### *The total number of securities available for issue*

- (a) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the issued share capital of the Company in issue as at the date of approval of the scheme unless Shareholders' approval has been obtained pursuant to paragraphs (b) and (c) below.
- (b) The Company may seek approval by Shareholders in general meeting to refresh the limit as referred to in the above paragraph (a).
- (c) The Company may seek separate Shareholders' approval in a general meeting to grant options beyond the limit as referred to in the above paragraph (a) provided that the total number of Shares subject to the scheme and any other schemes do not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.
- (d) Shareholders' approval has been obtained on 6 August 2002 to refresh the 10% limit. The Directors may grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 10% of the issued share capital as at the date of this report.

##### *The maximum entitlement of each participant under the scheme*

Unless approved by Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

##### *Time of exercise of option*

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in options which is exercisable</b>
between the date of grant of an option and less than 12 months following the date of grant of an option	zero
between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
any time falling 48 months from the date of grant of an option and thereafter	100%

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEMES (Continued)

#### (A) Share option schemes of the Company (Continued)

##### (2) Share Option Scheme (Continued)

###### Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

###### The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay HK\$1 to the Company as consideration of the grant.

###### The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the Committee and will be no less than the highest of (a) the closing price of Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date which must be a business day, (b) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date and (c) the nominal value of the Share.

###### The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the 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 31 December 2003
				Balance as at 1 July 2003	Lapsed during the period	Exercised during the period	
2 employees	15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	-	-	1,700,000
18 employees	10 August 2001	10 August 2002 to 9 August 2011	1.13	12,160,000	-	-	12,160,000
5 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	-	-	2,468,000
Total: 25 employees				<u>16,328,000</u>	<u>-</u>	<u>-</u>	<u>16,328,000</u>

Save as disclosed above, no option has been exercised, cancelled or lapsed during the period.

No option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Share Option Scheme.

The summary of the treatment of forfeiture of option prior to the expiry date is set out in the appendix of the half-yearly report 2000/2001.



## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEMES *(Continued)*

#### (A) Share option schemes of the Company *(Continued)*

##### (2) **Share Option Scheme** *(Continued)*

###### *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"). The following is a summary of the principal terms of the PHOENIXi Plan as at 31 December 2003:

###### ***Purpose of the scheme***

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, to provide additional incentive to its employees and Executive Directors and to promote the success of its business.

###### ***The participants of the scheme***

The employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or the Company (or the subsidiaries of PHOENIXi) are eligible to take up options to subscribe for shares in PHOENIXi. In addition, to be classified as an eligible person, where the employee is employed by a holding company of PHOENIXi or a subsidiary of PHOENIXi, the employee must perform an executive role for PHOENIXi.

###### ***The total number of securities available for issue***

- (a) The total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi, must not in aggregate exceed 10% of the issued share capital of PHOENIXi as at the Listing Date unless approvals of the Shareholders of the Company and PHOENIXi have been obtained pursuant to paragraphs (b) and (c) below.
- (b) PHOENIXi may seek approval by the Shareholders of the Company and PHOENIXi in general meeting to refresh the 10% limit. However, the total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi in these circumstances must not exceed 10% of the issued share capital of PHOENIXi at the date of approval of the refreshing of the limit.
- (c) PHOENIXi may seek separate approval of the Shareholders of the Company and PHOENIXi in general meeting to grant options beyond the 10% limit provided that (i) the total number of shares subject to the PHOENIXi Plan and any other schemes of PHOENIXi does not in aggregate exceed 30% of the total issued share capital of PHOENIXi and (ii) the options in excess of the 10% limit are granted only to participants specified by PHOENIXi before such approval is sought.

###### ***The maximum entitlement of each participant under the scheme***

No options may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of shares of PHOENIXi the subject of such option, when added to the number of shares already issued and/or issuable to him under the PHOENIXi Plan exceeding 25% of the aggregate number of shares of PHOENIXi in respect of which options are issuable under the PHOENIXi Plan.

###### ***Time of exercise of option***

Generally, an option may be exercised at any time during a period of no more than ten years commencing from the date of grant. However, in the case of an Incentive Stock Option ("ISO") granted to a person, who at the time of the grant, owns shares in PHOENIXi representing more than 10% of the voting power of PHOENIXi, the Company or any subsidiary of the Company, the option period will be five years from the date of grant thereof.



## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEMES *(Continued)*

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

##### **PHOENIXi PLAN** *(Continued)*

##### **Minimum holding period**

As stated above, there is no minimum holding period for which an option can be exercised.

##### **The amount payable on acceptance of the option**

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay US\$1 to the Company as consideration of the grant.

##### **The basis of determining the exercise price**

The price for the shares of PHOENIXi upon the exercise of an option under the PHOENIXi Plan will, in the case of:

- (a) an ISO or a Non-Qualified Stock Option ("NQS"), where the grantee owns more than 10% of the shares of the Company, PHOENIXi or its subsidiaries (each a "Related Entity"), be equal to not less than 110% of the Fair Market Value (as referred to below) per share of PHOENIXi on the date of the grant.
- (b) an ISO or NQS, where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.
- (c) an option which is neither an ISO nor an NQS but where the grantee owns more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.
- (d) an option which is neither an ISO nor an NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a Director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

For the purpose of the above "Fair Market Value" means as of any date, the value of shares of the Company, PHOENIXi or any subsidiary of PHOENIXi (as the case may be) determined as follows:

- (i) where the shares of PHOENIXi are listed on any stock exchange, the Fair Market Value shall be (a) no less than the higher of the closing price for a share on the date of the grant of an option which must be a business day, or (b) the average closing price of the share for the five business days immediately preceding the date of grant (the closing price shall be the price on the stock exchange on which the shares of PHOENIXi are listed) or (c) the nominal value of a share; or
- (ii) in the absence of an established market for the shares of the type described in (i) above, the Fair Market Value thereof shall be determined by the Committee in good faith on a fair and reasonable basis but in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations but in any event must in no circumstances be less than the latest audited net tangible assets per share of PHOENIXi unless none of the Directors or their associates of PHOENIXi or the Company participate in the Plan, in which event, reference does not need to be made to the latest audited net tangible asset per share of PHOENIXi for the purpose of determining the Fair Market Value of the shares.

##### **The remaining life of the scheme**

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

As at 31 December 2003, no options had been granted under the PHOENIXi Plan.





# REPORT OF THE DIRECTORS

## 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 must 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 section headed "Share Option Schemes" of this report.

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 contracts of significance in relation to the Phoenix Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

## SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2003, the interest of the shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### (i) Substantial shareholders

Name of substantial shareholders	Number of ordinary shares	Percentage of shareholding
Xing Kong Chuan Mei Group Co., Ltd. (Note 1)	1,854,000,000	37.6%
Today's Asia Limited (Note 2)	1,854,000,000	37.6%

#### Notes:

1. Xing Kong Chuan Mei Group Co., Ltd. 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 an indirect wholly owned subsidiary of The News Corporation Limited ("News Corporation").

By virtue of the SFO, News Corporation, 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 Xing Kong Chuan Mei Group Co., Ltd.

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.

## REPORT OF THE DIRECTORS

### SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

#### (ii) Other person who is required to disclose his interests

Name of other person who has more than 5% interest	Number of ordinary shares	Percentage of shareholding
China Wise International Limited <i>(Note)</i>	412,000,000	8.4%

*Note:* China Wise International Limited is a wholly-owned subsidiary of Cultural Developments Limited, which in turn is a wholly-owned subsidiary of Bank of China Group Investment Limited. Bank of China Group Investment Limited is a wholly owned subsidiary of Bank of China. By virtue of the SFO, Bank of China, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 shares held by China Wise International Limited.

Save as disclosed above, no other shareholders or other persons had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

#### 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 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 since 1 July 2002. Accordingly, no additional disclosure is made for the six months ended 31 December 2003.

#### CONNECTED TRANSACTIONS

1. The following connected transactions with Satellite Television Asian Region Limited ("STARL"), STAR TV Filmed Entertainment Limited ("STAR Filmed"), ATV Enterprises Limited ("ATVE") and Asia Television Limited ("ATV") have been approved by resolutions of independent shareholders passed on 26 June 2003:

(a) STARL is a subsidiary of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions are:

(i) STARL provides technical and administrative services for the operations of the Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel. For the six months ended 31 December 2003, the service charges paid/payable to STARL amounted to approximately HK\$22,116,000, which was calculated under the terms of the executed service agreement between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK\$80,000,000 approved under the relevant resolutions.



## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS *(Continued)*

- (ii) STARL acts as an agent to promote international subscription sales and marketing services for the Phoenix Group. For the six months ended 31 December 2003, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK\$1,358,000, which was calculated based on 15% of the subscription fees generated and received by STARL on behalf of the Phoenix Group. Such amount did not exceed the annual cap of HK\$5,000,000 approved under the relevant resolutions.
  - (iii) STARL acts as an exclusive advertising agent for the Phoenix Group at all territories outside the People's Republic of China ("PRC"). For the six months ended 31 December 2003, commission for advertising sales and marketing services paid/payable to STARL amounted to approximately HK\$1,796,000, which was calculated based on 4%-15% of the net advertising income generated and received by STARL on behalf of the Phoenix Group after deducting the relevant amount of the third party agency fees incurred by it. Such amount did not exceed the annual cap of HK\$20,000,000 approved under the relevant resolutions.
- (b) STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transaction relates to the granting of a non-exclusive licence to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. For the six months ended 31 December 2003, the film licence fees paid/payable to STAR Filmed amounted to approximately HK\$10,172,000, which was charged according to the executed film rights licensing agreement between a subsidiary of the Company and STAR Filmed. Such amount did not exceed the annual cap of HK\$23,000,000 approved under the relevant resolutions.
- (c) ATVE, a wholly-owned subsidiary of ATV, is a connected party by virtue of the fact that 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 ATV. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. The connected transaction relates to the acquisition of certain television programme licences from ATVE. For the six months ended 31 December 2003, programme licence fees paid/payable to ATVE amounted to approximately HK\$2,250,000, which were charged according to the executed licensing agreement between a subsidiary of the Company and ATVE. Such amount did not exceed the annual cap of HK\$15,000,000 approved under the relevant resolutions.
- (d) A subsidiary of the Company has entered into an arrangement to provide technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) via EchoStar Satellite Corporation, a direct-to-home satellite television operator in the United States. For the six months ended 31 December 2003, the service fees received/receivable from the provision of technical support services and equipment to ATV was approximately HK\$651,000, which was charged according to the executed service agreement between a subsidiary of the Company and ATV. Such amount did not exceed the annual cap of HK\$2,000,000 approved under the relevant resolutions.



## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS *(Continued)*

2. A subsidiary of the Company has entered into an agreement with Fox News Network L.L.C. (“Fox”), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions relate to:

- (a) granting of non-exclusive and non-transferable licence to subscribe for Fox’s news service;
- (b) leasing of office space and access to workspace, subject to availability; and
- (c) 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.

These connected transactions have been approved by resolutions of independent shareholders passed on 26 July 2001 in compliance with Chapter 20 of the GEM Listing Rule. For the six months ended 31 December 2003, the service charges paid/payable to Fox amounted to approximately HK\$2,070,000, which were charged under the licensing agreement between a subsidiary of the Company and Fox. Such amount did not exceed the annual cap of HK\$4,940,300 approved under the relevant resolutions.

3. A 70% owned subsidiary of the Company has entered into a transponder rental agreement and an electronic programme guide (“EPG”) services agreement with British Sky Broadcasting Limited (“BSkyB”), an associate of Xing Kong Chuan Mei Group Co., Ltd., which owns 37.6% interest in the Company. These connected transactions relate to the provision of transponder rental, uplinking and EPG services for Phoenix Chinese News and Entertainment Channel. For the six months ended 31 December 2003, the transponder rental and uplink costs paid/payable to BSkyB amounted to approximately HK\$2,534,000, which were charged in accordance with the service agreements with BSkyB. Such amount did not exceed the annual cap of HK\$6,600,000 approved by the independent shareholders on 6 August 2002.
4. For the six months ended 31 December 2003, news footage and data transmission services were provided by ATV to a subsidiary of the Company. The service charges paid/payable to ATV amounted to approximately HK\$360,000 which, were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.25 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK\$1,000,000 or 0.03% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the reporting, announcement and Shareholders’ approval requirements of Chapter 20 of the GEM Listing Rules.
5. For the six months ended 31 December 2003, decoder devices sold to STARL amounted to approximately HK\$24,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.25 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK\$1,000,000 or 0.03% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the reporting, announcement and Shareholders’ approval requirements of Chapter 20 of the GEM Listing Rules.
6. For the six months ended 31 December 2003, the Phoenix Group had purchased certain broadcast operations and engineering equipment from STARL. The purchases of broadcast operations and engineering equipment amounted to approximately HK\$1,442,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.24 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the Shareholders’ approval requirements of Chapter 20 of the GEM Listing Rules. The Company has made an announcement on 5 January 2004 in respect of this connected transaction with STARL.





# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS (Continued)

The Independent Non-Executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

- (a) the transactions have been entered into by the relevant member of the Phoenix Group in the ordinary and usual course of its business;
- (b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Phoenix Group than terms available to or from (as the case may be) independent third parties; and
- (c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, for those connected transactions the annual caps of which are greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group, the Independent Non-Executive Directors of the Company are of the opinion that the Group should continue with the agreements for such transactions.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and programme purchases for the period/year attributable to the Group's major customers and suppliers are as follows:

	Six months ended 31 December 2003	Year ended 30 June 2003
Sales		
– the largest customer	3%	2%
– five largest customers	13%	10%
Programme purchases		
– the largest supplier	29%	33%
– five largest suppliers	59%	52%

STAR Filmed is the largest programme supplier of the Phoenix Group referred to above. Details of the transactions between the Phoenix Group and STAR Filmed are set out in note 30 to the accounts. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

ATVE, a wholly-owned subsidiary of ATV, is one of the five largest programme suppliers of the Phoenix Group referred to above. Details of the transactions between the Phoenix Group and ATVE are set out in note 30 to the accounts. Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly own approximately 46% of ATV as at 31 December 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as above mentioned, none of the Directors, their associates, or any Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital has a beneficial interest in any one of the Phoenix Group's top five customers and/or programme suppliers.

## REPORT OF THE DIRECTORS

### COMPETING INTERESTS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests 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, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

Xing Kong Chuan Mei Group Co., Ltd., together with its ultimate parent company, 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 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 Xing Kong Chuan Mei Group Co., Ltd., owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region. STAR Group Limited and its subsidiaries (including Xing Kong Chuan Mei Group Co., Ltd.) 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 ATV, a Hong Kong based television broadcasting company. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV 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. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong.

Save as disclosed above, none of the Directors or the substantial shareholders of the Company (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group.

### ADVANCES TO AN ENTITY

Please refer to note 11 to the accounts 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 four times a year to review with management the accounting principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters. 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.



## REPORT OF THE DIRECTORS

### 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 period.

### AUDITORS

The accounts in respect of financial year ended 30 June 2001 were audited by Arthur Andersen & Co. Pursuant to the combination of practice of Arthur Andersen & Co. with PricewaterhouseCoopers effective 1 July 2002, the accounts for the years ended 30 June 2002 and 2003 were audited by PricewaterhouseCoopers.

The accounts for the six months ended 31 December 2003 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LIU, Changle**

*Chairman*

Hong Kong, 10 March 2004



## AUDITORS' REPORT



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central  
Hong Kong

### AUDITORS' REPORT TO THE SHAREHOLDERS OF PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the accounts on pages 31 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

#### OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss and cash flows of the Group for the six months then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 10 March 2004



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2003

	Note	Six months ended 31 December 2003 HK\$'000	Year ended 30 June 2003 HK\$'000 (As restated) (Note 1n)
REVENUE	2	350,347	709,970
OPERATING EXPENSES	30	(321,668)	(661,238)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	30	(73,258)	(142,065)
LOSS FROM OPERATIONS	3	(44,579)	(93,333)
OTHER INCOME			
Exchange gain, net		834	2,466
Interest income, net		1,981	5,598
Other income, net		5,143	13,567
	2	7,958	21,631
LOSS BEFORE TAXATION AND MINORITY INTERESTS		(36,621)	(71,702)
TAXATION	4	(2,559)	(3,811)
LOSS BEFORE MINORITY INTERESTS		(39,180)	(75,513)
MINORITY INTERESTS		314	3,150
LOSS ATTRIBUTABLE TO SHAREHOLDERS	5	(38,866)	(72,363)
ACCUMULATED DEFICIT, beginning of period/year		(573,605)	(501,242)
DIVIDENDS	6	–	–
ACCUMULATED DEFICIT, end of period/year		(612,471)	(573,605)
BASIC LOSS PER SHARE, Hong Kong cents	7	(0.79)	(1.47)
DILUTED LOSS PER SHARE, Hong Kong cents	7	N/A	N/A



## CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Note	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000 (As restated) (Note 1n)
<b>Current assets</b>			
Cash and bank balances	28	388,869	428,039
Accounts receivable, net	10	32,438	30,198
Prepayments, deposits and other receivables	11	277,651	272,479
Inventories	12	9,187	10,617
Amounts due from related companies	13	223	223
Self-produced programmes		11,337	21,517
Purchased programme and film rights, current portion	14	9,259	13,281
		<u>728,964</u>	<u>776,354</u>
<b>Non-current assets</b>			
Purchased programme and film rights	14	24,133	24,049
Fixed assets, net	15	62,607	70,855
Land deposit and development costs	16	61,120	57,354
Investment in an associated company	17	–	–
Interest in a jointly controlled entity	18	472	–
Deferred tax assets	25	743	2,224
Other non-current assets		–	1,767
		<u>149,075</u>	<u>156,249</u>
<b>Total assets</b>		<u><b>878,039</b></u>	<u><b>932,603</b></u>



## CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Note	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000 (As restated) (Note 1n)
<b>Current liabilities</b>			
Accounts payable, other payables and accruals	20	96,432	94,093
Deferred income		52,420	67,633
Amounts due to related companies	13	9,982	11,887
Profits tax payable		5,939	4,726
		<u>164,773</u>	<u>178,339</u>
<b>Non-current liability</b>			
Deferred tax liabilities	25	743	2,224
		<u>165,516</u>	<u>180,563</u>
<b>Total liabilities</b>		<u>165,516</u>	<u>180,563</u>
<b>Minority interests</b>		<u>6,103</u>	<u>6,832</u>
<b>Capital and reserves</b>			
Share capital	22	493,173	493,173
Reserves	24	213,247	252,035
		<u>706,420</u>	<u>745,208</u>
Total shareholders' equity		<u>706,420</u>	<u>745,208</u>
<b>Total liabilities and shareholders' equity</b>		<u><u>878,039</u></u>	<u><u>932,603</u></u>

Approved by the Board of Directors on 10 March 2004 and signed on behalf of the Board by

**Liu, Changle**  
Director

**Guthrie, Michelle Lee**  
Director





## BALANCE SHEET

As at 31 December 2003

	Note	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
<b>Current asset</b>			
Cash and bank balances		<u>878</u>	<u>878</u>
		<b>878</b>	878
<b>Non-current asset</b>			
Interests in subsidiaries	19	<u>1,276,740</u>	<u>1,277,102</u>
<b>Total assets</b>		<u><b>1,277,618</b></u>	<u>1,277,980</u>
<b>Current liability</b>			
Other payables and accruals		<u>130</u>	<u>150</u>
<b>Total liability</b>		<u>130</u>	<u>150</u>
<b>Capital and reserves</b>			
Share capital	22	<u>493,173</u>	493,173
Reserves	24	<u>784,315</u>	<u>784,657</u>
Total shareholders' equity		<u><b>1,277,488</b></u>	<u>1,277,830</u>
<b>Total liability and shareholders' equity</b>		<u><b>1,277,618</b></u>	<u>1,277,980</u>

Approved by the Board of Directors on 10 March 2004 and signed on behalf of the Board by

**Liu, Changle**  
Director

**Guthrie, Michelle Lee**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

	Six months ended 31 December 2003 <i>HK\$'000</i>	Year ended 30 June 2003 <i>HK\$'000</i>
Total equity at the beginning of the period/year, as previously reported	745,095	816,518
Changes in accounting policy – provision for deferred taxation ( <i>Note 1n</i> )	<u>113</u>	<u>252</u>
Total equity at the end of the period/year, as restated	745,208	816,770
Exchange differences arising on translation of the financial statements of foreign subsidiaries	78	801
Loss attributable to shareholders	<u>(38,866)</u>	<u>(72,363)</u>
Total equity at the end of the period/year	<u><u>706,420</u></u>	<u><u>745,208</u></u>





## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

	Note	Six months ended 31 December 2003 HK\$'000	Year ended 30 June 2003 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Net cash (outflow)/inflow from operations	27(a)	(37,853)	14,364
Hong Kong taxation paid		(1,337)	(3,494)
Overseas taxation paid		(9)	(49)
Interest received from bank deposits		1,984	5,609
Interest paid		(3)	(11)
		<u>          </u>	<u>          </u>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>		<b>(37,218)</b>	<b>16,419</b>
		<u>          </u>	<u>          </u>
<b>INVESTING ACTIVITIES</b>			
Increase in land deposit and development costs		–	(28,177)
Purchase of fixed assets		(3,341)	(10,618)
Disposal of subsidiaries	27(b)	2,032	–
Interest in a jointly controlled entity		(472)	–
Proceeds from disposal of fixed assets		266	333
Increase in other non-current assets		(420)	(1,767)
		<u>          </u>	<u>          </u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(1,935)</b>	<b>(40,229)</b>
		<u>          </u>	<u>          </u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(39,153)</b>	<b>(23,810)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period/year</b>		<b>428,039</b>	<b>451,327</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(17)</b>	<b>522</b>
		<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS, end of period/year</b>		<b>388,869</b>	<b>428,039</b>
		<u>          </u>	<u>          </u>

# NOTES TO THE ACCOUNTS

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Change of financial year end

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year cycle.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

### (b) Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the HKSA, which is effective for periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this revised SSAP are set out in note 1(n).

### (c) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (c) Group accounting *(Continued)*

##### (ii) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

##### (iii) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of an associated company for the period, and the consolidated balance sheet includes the Group's share of the net assets of the associated company.

Equity accounting is discontinued when the carrying amount of the investment in the associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

##### (iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, an associated company and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### (d) Fixed assets

##### (i) Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	15% or over the terms of the leases
Furniture and fixtures	15% – 20%
Broadcast operations and other equipment	20%
Motor vehicles	20%



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (d) **Fixed assets** *(Continued)*

##### (ii) *Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (e) **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

#### (f) **Purchased programme and film rights**

Purchased programme and film rights and the related accruals are recorded at cost less accumulated amortisation and any impairment losses. The cost of purchased programme and film rights is charged to the profit and loss account either on the first and second showing of such purchased programme and film rights or amortised over the licence period if the licence allows multiple showings within the licence period. Purchased programme and film rights with a remaining licence period of twelve months or less are classified as current assets.

#### (g) **Self-produced programmes**

Self-produced programmes are stated at cost less provision for obsolescence where considered necessary by the Directors. Cost comprises the production costs of the programmes which consist of direct expenditures and an appropriate portion of production overheads. The production costs of the self-produced programmes are charged to the profit and loss account in accordance with a formula computed to write off the cost over their anticipated revenue pattern on an accelerated basis. Revenue estimates are reviewed periodically and amortisation is adjusted, if necessary.

#### (h) **Inventories**

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### (i) **Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (j) **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (k) **Deferred income**

Deferred income represents advertising revenue and subscription revenue received in advance from third party customers.

#### (l) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

#### (m) **Employee benefits**

##### *(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

##### *(ii) Bonus plans*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

##### *(iii) Pension obligations*

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes costs charged to the profit and loss account represent contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (m) **Employee benefits** *(Continued)*

##### (iv) *Equity compensation benefits*

Pursuant to written resolutions of the shareholders of the Company dated 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 options are granted and exercisable in accordance with the terms set out in the relevant schemes and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

#### (n) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, prepayments of purchased programme and film rights and tax losses carried forward. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Prior to the adoption of the revised SSAP 12, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Subsequent to the adoption of the revised SSAP 12, opening accumulated deficits at 1 July 2003 and 2002 have been reduced by approximately HK\$113,000 and HK\$252,000 respectively, which represent the unrecognised deferred tax assets net of unprovided deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 30 June 2003 by approximately HK\$2,224,000 and HK\$2,111,000 respectively.

#### (o) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (p) Revenue recognition

Revenue mainly represents income from advertising sales and subscription sales.

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue and other income are recognised on the following bases:

#### (i) Advertising revenue

Advertising revenue represents the gross value of advertisements broadcast and is recognised when the relevant advertisements are broadcast.

#### (ii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis. Unamortised portion is classified as deferred income.

#### (iii) Magazine advertising revenue

Magazine advertising revenue represents the value of advertisements printed on the magazines and is recognised when the magazine is published.

#### (iv) Magazine subscription revenue

Magazine subscription revenue represents subscription money received or receivable from magazine customers and is recognised when the respective magazine is sold.

#### (v) Sales of decoder devices and satellite receivers

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

#### (vi) Interest income

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

#### (q) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. They are expensed as incurred.

#### (r) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets, interest in a jointly controlled entity and other non-current assets.

In respect of geographical segment reporting, advertising sales or subscription sales are based on the country in which the customer is located. Total assets and capital expenditure are based on the country where the assets are located.



## NOTES TO THE ACCOUNTS

### 2. REVENUE AND SEGMENT INFORMATION

The Phoenix Group is principally engaged in satellite television broadcasting activities. An analysis of the Phoenix Group's revenue by nature is as follows:

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000
Revenue		
Advertising sales	<b>316,011</b>	632,653
Subscription sales	<b>22,165</b>	55,085
Magazine advertising and subscription sales	<b>5,013</b>	12,110
Others	<b>7,158</b>	10,122
	<b>350,347</b>	709,970
Other revenue		
Exchange gain, net	<b>834</b>	2,466
Interest income, net	<b>1,981</b>	5,598
Sales of decoder devices, net	<b>601</b>	10,470
Sales of programmes	<b>2,431</b>	253
Others	<b>2,111</b>	2,844
	<b>7,958</b>	21,631
Total revenue	<b>358,305</b>	731,601

#### Primary reporting format – business segments

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.



## NOTES TO THE ACCOUNTS

### 2. REVENUE AND SEGMENT INFORMATION *(Continued)* **Primary reporting format – business segments *(Continued)***

	Six months ended 31 December 2003					Group HK\$'000
	Television broadcasting HK\$'000	Programme production and ancillary services HK\$'000	Internet services HK\$'000	Other activities HK\$'000	Inter- segment elimination HK\$'000	
Revenue						
External sales	338,176	2,611	952	8,608	-	350,347
Inter-segment sales	-	9,289	-	-	(9,289)	-
Total revenue	<u>338,176</u>	<u>11,900</u>	<u>952</u>	<u>8,608</u>	<u>(9,289)</u>	<u>350,347</u>
Segment results	9,627	26	(3,571)	(618)	-	5,464
Unallocated expenses <i>(Note i)</i>						<u>(42,085)</u>
Loss before taxation and minority interests						(36,621)
Taxation						<u>(2,559)</u>
Loss before minority interests						(39,180)
Minority interests						<u>314</u>
Loss attributable to shareholders						<u>(38,866)</u>
Segment assets	123,008	33,378	24,631	13,579	-	194,596
Unallocated assets						682,700
Deferred tax assets						<u>743</u>
Total assets						<u>878,039</u>
Segment liabilities	(80,979)	(1,474)	(3,362)	(8,091)	-	(93,906)
Profits tax payable						(5,939)
Unallocated liabilities						(64,928)
Deferred tax liabilities						<u>(743)</u>
Total liabilities						<u>(165,516)</u>
Capital expenditure	879	91	93	-	-	1,063
Unallocated capital expenditure						<u>3,170</u>
						<u>4,233</u>
Depreciation	(8,853)	(1,234)	(411)	(67)	-	(10,565)
Amortisation of purchased programme and film rights	(15,664)	-	-	-	-	(15,664)



## NOTES TO THE ACCOUNTS

### 2. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Primary reporting format – business segments *(Continued)*

Year ended 30 June 2003

	Television broadcasting <i>HK\$'000</i>	Programme production and ancillary services <i>HK\$'000</i>	Internet services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Group <i>HK\$'000</i> (As restated) <i>(Note 1n)</i>
Revenue						
External sales	687,738	1,964	1,374	18,894	–	709,970
Inter-segment sales	–	13,479	–	–	(13,479)	–
Total revenue	<u>687,738</u>	<u>15,443</u>	<u>1,374</u>	<u>18,894</u>	<u>(13,479)</u>	<u>709,970</u>
Segment results	26,606	(4,572)	(10,085)	9,062	–	21,011
Unallocated expenses <i>(Note i)</i>						<u>(92,713)</u>
Loss before taxation and minority interests						(71,702)
Taxation						<u>(3,811)</u>
Loss before minority interests						(75,513)
Minority interests						<u>3,150</u>
Loss attributable to shareholders						<u>(72,363)</u>
Segment assets	150,951	89,060	28,564	19,135	–	287,710
Unallocated assets						642,669
Deferred tax assets						<u>2,224</u>
Total assets						<u>932,603</u>
Segment liabilities	(92,304)	(2,109)	(9,443)	(8,052)	–	(111,908)
Profits tax payable						(4,726)
Unallocated liabilities						(61,705)
Deferred tax liabilities						<u>(2,224)</u>
Total liabilities						<u>(180,563)</u>
Capital expenditure	2,641	31,165	461	341	–	34,608
Unallocated capital expenditure						<u>5,955</u>
						<u>40,563</u>
Depreciation	(17,058)	(3,845)	(1,412)	(195)	–	(22,510)
Amortisation of purchased programme and film rights	(43,275)	–	–	–	–	(43,275)



## NOTES TO THE ACCOUNTS

### 2. REVENUE AND SEGMENT INFORMATION *(Continued)* Primary reporting format – business segments *(Continued)*

Note:

- (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.

#### Secondary reporting format – geographical segments

	Six months ended 31 December 2003		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
PRC (including Hong Kong)	316,904	835,406	3,833
United States	10,912	23,233	225
Europe	5,693	17,202	24
Other countries in the Asia Pacific Region	16,838	2,198	151
	<b>350,347</b>	<b>878,039</b>	<b>4,233</b>

  

	Year ended 30 June 2003		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
PRC (including Hong Kong)	641,483	885,168	38,603
United States	19,435	29,194	937
Europe	8,295	15,826	265
Other countries in the Asia Pacific Region	40,757	2,415	758
	<b>709,970</b>	<b>932,603</b>	<b>40,563</b>



## NOTES TO THE ACCOUNTS

### 3. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000
	<i>Note</i>	
Charging:		
Amortisation costs of purchased programme and film rights	<b>15,664</b>	43,275
Production costs of self-produced programmes	<b>57,914</b>	87,898
Transponder rental	30(c) <b>8,273</b>	29,400
Provision for doubtful debts	<b>17,409</b>	34,469
Staff costs, including Directors' emoluments	8 <b>99,672</b>	194,882
Operating lease rental in respect of		
– Directors' quarters	<b>462</b>	952
– land and buildings of third parties	<b>6,412</b>	13,351
– land and buildings of a related company	30(b) –	257
Cost of inventories	<b>1,560</b>	1,732
Depreciation of fixed assets	<b>10,565</b>	22,510
Loss on disposal of fixed assets	<b>87</b>	998
Auditors' remuneration	<b>1,218</b>	1,760

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (year ended 30 June 2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000 (As restated) (Note 1n)
Current taxation:		
– Hong Kong profits tax	<b>2,550</b>	5,065
– Overseas taxes	<b>9</b>	49
– Over-provisions of Hong Kong profits tax in the prior year	–	(1,303)
Deferred taxation	–	–
	<b>2,559</b>	3,811



## NOTES TO THE ACCOUNTS

### 4. TAXATION (Continued)

The taxation on the Group's loss before taxation and minority interests differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000 (As restated) (Note 1n)
Loss before taxation and minority interests	<u>(36,621)</u>	<u>(71,702)</u>
Calculated at a taxation rate of 17.5% (year ended 30 June 2003: 17.5%)	<b>(6,409)</b>	(12,548)
Tax effect on income not subject to taxation	<b>(4,016)</b>	(10,242)
Tax effect on expenses not deductible for taxation purposes	<b>7,351</b>	16,520
Tax losses not recognised	<b>9,410</b>	18,888
Utilisation of previously unrecognised tax losses	<b>(4,044)</b>	(8,452)
Over-provisions in the prior year	–	(1,303)
Provision for overseas operations	<b>9</b>	49
Others	<b>258</b>	899
Taxation charge	<u><b>2,559</b></u>	<u>3,811</u>

### 5. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$342,000 (year ended 30 June 2003: loss of approximately HK\$46,312,000).

### 6. DIVIDENDS

No dividend had been paid or declared by the Company during the six months ended 31 December 2003 (year ended 30 June 2003: Nil).

### 7. LOSS PER SHARE

The calculation of basic loss per share is based on consolidated loss attributable to shareholders of HK\$38,865,082 (year ended 30 June 2003: HK\$72,363,160, as restated), and the 4,931,730,000 weighted average number of ordinary shares outstanding during the six months ended 31 December 2003 (year ended 30 June 2003: 4,931,730,000).

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 six months ended 31 December 2003 and year ended 30 June 2003.



## NOTES TO THE ACCOUNTS

### 8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Six months ended 31 December 2003 <i>HK\$'000</i>	Year ended 30 June 2003 <i>HK\$'000</i>
Wages, salaries and other allowances	91,332	184,097
Unutilised annual leave	743	2,692
Pension costs – defined contribution plans, net of forfeited contributions	7,597	8,093
	<u>99,672</u>	<u>194,882</u>

### 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

#### (a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to Directors of the Company during the period/year are as follows:

	Six months ended 31 December 2003 <i>HK\$'000</i>	Year ended 30 June 2003 <i>HK\$'000</i>
Executive Director A:		
Fee	–	–
Salaries	2,026	4,357
Discretionary bonus	–	–
Quarters	462	952
Other allowance	170	–
Pension fund	2,584	–
	<u>5,242</u>	<u>5,309</u>
Executive Director B:		
Fees	–	–
Salaries	833	1,656
Discretionary bonus	–	–
Housing allowance	439	869
Other allowance	139	137
Pension fund	83	166
	<u>1,494</u>	<u>2,828</u>



## NOTES TO THE ACCOUNTS

### 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

#### (a) Directors' emoluments *(Continued)*

During the six months ended 31 December 2003, no emoluments were paid/payable to the Non-Executive Directors of the Company (year ended 30 June 2003: Nil) and approximately HK\$200,000 were paid/payable to two independent Non-Executive Directors of the Company (year ended 30 June 2003: HK\$400,000).

The emoluments of the Directors (including an Alternate Director) of the Company fell within the following bands:

Emolument bands	Number of Directors	
	Six months ended 31 December 2003	Year ended 30 June 2003
HK\$Nil – HK\$1,000,000	10	9
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	1
	<u>12</u>	<u>11</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration during the six months ended 31 December 2003 and year ended 30 June 2003.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 31 December 2003 include two (year ended 30 June 2003: two) Executive Directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid/payable to the remaining three (year ended 30 June 2003: three) individuals during the six months ended 31 December 2003 are as follows:

	Six months ended 31 December 2003 HK\$'000	Year ended 30 June 2003 HK\$'000
Fees	–	–
Salaries	2,511	4,989
Discretionary bonus	–	–
Housing allowance	1,222	2,422
Other allowance	418	413
Pension fund	251	498
	<u>4,402</u>	<u>8,322</u>



## NOTES TO THE ACCOUNTS

### 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

#### (b) Five highest paid individuals *(Continued)*

The emoluments of the remaining three (year ended 30 June 2003: three) individuals fell within the following bands:

Emolument bands	Number of individuals	
	Six months ended 31 December 2003	Year ended 30 June 2003
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$3,000,001 – HK\$3,500,000	–	1
	<u>2</u>	<u>3</u>

During the period/year, no emoluments or incentive payments were paid or payable to any Director or the other employees amongst the five highest paid individuals as an inducement to join the Phoenix Group or as compensation for loss of office.

### 10. ACCOUNTS RECEIVABLE, NET

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Accounts receivable	72,650	102,911
Less: Provision for doubtful debts	(40,212)	(72,713)
	<u>32,438</u>	<u>30,198</u>

The Phoenix Group conducts its advertising sales primarily through an advertising agent in the PRC, which promotes the sales of the Group's advertising air-time and programme sponsorship and collects advertising revenues within the PRC on behalf of the Group (see note 11). The Group generally requires customers to pay in advance or cash on delivery, but 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.



## NOTES TO THE ACCOUNTS

### 10. ACCOUNTS RECEIVABLE, NET *(Continued)*

As at 31 December 2003, the ageing analysis of the accounts receivable from customers is as follows:

	<b>As at 31 December 2003 HK\$'000</b>	As at 30 June 2003 HK\$'000
0 – 30 days	18,828	11,528
31 – 60 days	8,690	943
61 – 90 days	5,135	1,218
91 – 120 days	3,215	1,789
Over 120 days	36,782	87,433
	<u>72,650</u>	<u>102,911</u>
Less: Provision for doubtful debts	<u>(40,212)</u>	<u>(72,713)</u>
	<u><b>32,438</b></u>	<u>30,198</u>

### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK\$252,606,000 as at 30 June 2003: HK\$252,338,000) owing from an advertising agent, Shenzhou Television Company Ltd. (“Shenzhou”) in the People’s Republic of China (the “PRC”). The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interests at prevailing bank interest rates. As a result of the foreign exchange restrictions in the PRC, the remittances of the amount receivable from Shenzhou to the Phoenix Group are not conducted in fixed repayment terms.

The Group has set up a commercial and trust arrangement with Shenzhou, details of which have been disclosed in the announcement made by the Company on 25 September 2002.

The Trust Law in the PRC however, 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.

### 12. INVENTORIES

	<b>As at 31 December 2003 HK\$'000</b>	As at 30 June 2003 HK\$'000
Decoders and satellite receivers	<u>9,187</u>	<u>10,617</u>

As at 31 December 2003 and 30 June 2003, the carrying amount of inventories are carried at cost.

### 13. AMOUNTS DUE FROM/TO RELATED COMPANIES

The outstanding balances with related companies are unsecured, non-interest bearing and have no fixed repayment terms.



## NOTES TO THE ACCOUNTS

### 14. PURCHASED PROGRAMME AND FILM RIGHTS

	Six months ended 31 December 2003 HK\$'000	Year ended 30 June 2003 HK\$'000
Balance, beginning of period/year	37,330	42,584
Additions	12,212	39,835
Amortisation	(15,664)	(43,275)
Disposals and others	(486)	(1,814)
Balance, end of period/year	<u>33,392</u>	<u>37,330</u>
Less: Purchased programme and film rights – current portion	<u>(9,259)</u>	<u>(13,281)</u>
	<u><u>24,133</u></u>	<u><u>24,049</u></u>

### 15. FIXED ASSETS, NET

For the six months ended 31 December 2003

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Broadcast operations and other equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 July 2003	18,124	3,018	93,978	7,259	122,379
Additions	312	90	2,939	–	3,341
Disposals/Write-off	–	(348)	(380)	(92)	(820)
Disposal of subsidiaries	–	–	(83)	(952)	(1,035)
Exchange differences	36	24	148	4	212
At 31 December 2003	<u>18,472</u>	<u>2,784</u>	<u>96,602</u>	<u>6,219</u>	<u>124,077</u>
<b>Accumulated depreciation</b>					
At 1 July 2003	6,819	1,335	40,664	2,706	51,524
Charge for the period	1,321	240	8,436	568	10,565
Disposals/Write-off	–	(217)	(212)	(38)	(467)
Disposal of subsidiaries	–	–	(22)	(247)	(269)
Exchange differences	11	10	94	2	117
At 31 December 2003	<u>8,151</u>	<u>1,368</u>	<u>48,960</u>	<u>2,991</u>	<u>61,470</u>
<b>Net book value</b>					
At 31 December 2003	<u><u>10,321</u></u>	<u><u>1,416</u></u>	<u><u>47,642</u></u>	<u><u>3,228</u></u>	<u><u>62,607</u></u>
At 30 June 2003	<u>11,305</u>	<u>1,683</u>	<u>53,314</u>	<u>4,553</u>	<u>70,855</u>



## NOTES TO THE ACCOUNTS

### 16. LAND DEPOSIT AND DEVELOPMENT COSTS

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 PRC for the development of a building (which includes a production centre) for the Phoenix Group. The total consideration for the acquisition is approximately HK\$57,354,000.

During the year ended 30 June 2002, the subsidiary transferred the interest of the land use right to another subsidiary, 深圳鳳凰置業有限公司, a sino-foreign co-operation company incorporated in the PRC, in which Phoenix Real Properties Limited (“Real Properties”), a wholly-owned subsidiary of the Phoenix Group had a 90% equity interest at that time.

Pursuant to the payment terms of the agreement, the full amount of approximately HK\$57,354,000 had been paid to the 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)\* as the cost of the land acquisition, and was recorded as a land deposit of Phoenix Group as at 30 June 2003. The increase in value to HK\$61,120,000 as at 31 December 2003 represents other relevant costs in connection with the development of the building.

Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity Limited (“Oasiscity”), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as “Neo-Tech Global Limited”), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties, which owns 90% interest in 深圳鳳凰置業有限公司.

Upon completion of the acquisition of 60% equity interest in Real Properties by Oasiscity, the Phoenix Group shall not be required to provide any further financing for the development of the building and will be entitled to a portion of the non-saleable area. Oasiscity shall be responsible for providing all required financing for the development of the building.

Upon the completion of the development of the building, it is expected that the Group’s entitlement to the relevant portion of the non-saleable area will have a value of not less than the current carrying value of approximately HK\$61,120,000.

\* name translated for reference only

### 17. INVESTMENT IN AN ASSOCIATED COMPANY

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Investment at cost	—	—

Details of the associated company as at 31 December 2003 was as follows:

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
China Global Television Limited ( <i>Note</i> )	British Virgin Islands 18 October 2001	British Virgin Islands	Dormant	50%	US\$2

*Note:* China Global Television Limited remained dormant as at and during the six months ended 31 December 2003.





## NOTES TO THE ACCOUNTS

### 18. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the six months ended 31 December 2003, the Group invested in a jointly controlled entity with an independent third party. The investment cost amounted to RMB500,000 (equivalent to approximately HK\$472,000).

Details of the jointly controlled entity as at 31 December 2003 was as follows:

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group
北京翡翠鳳凰文化 投資諮詢有限公司	PRC 27 June 2003	PRC	Dormant	40%

The jointly controlled entity remained dormant during the six months ended 31 December 2003.

### 19. INTERESTS IN SUBSIDIARIES

	Company	
	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Unlisted shares, at cost ( <i>Note i</i> )	–	–
Amount due from a subsidiary, net ( <i>Note ii</i> )	<u>1,276,740</u>	<u>1,277,102</u>
	<u>1,276,740</u>	<u>1,277,102</u>

*Notes:*

(i) Details of subsidiaries as at 31 December 2003 were as follows:

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong 29 November 1999	Hong Kong	Publishing and distribution of periodicals	77%	HK\$100
Hong Kong Phoenix Satellite Television Limited	Hong Kong 19 January 2001	Hong Kong	Dormant	100%	HK\$2
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands 6 September 1999	British Virgin Islands	Satellite television broadcasting	100%	US\$1
Phoenix Satellite Television (B.V.I.) Holding Limited ( <i>Note a</i> )	British Virgin Islands 28 April 1998	British Virgin Islands	Investment holding	100%	US\$1

## NOTES TO THE ACCOUNTS

### 19. INTERESTS IN SUBSIDIARIES *(Continued)*

*Notes: (Continued)*

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands 29 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US\$1
Phoenix Satellite Television Company Limited	Hong Kong 16 November 1995	Hong Kong	Provision of management and related services	100%	HK\$20
Phoenix Satellite Television (Europe) Limited	British Virgin Islands 5 July 1999	British Virgin Islands	Investment holding	100%	US\$1
Phoenix Satellite Television Information Limited	British Virgin Islands 1 September 1999	British Virgin Islands	Investment holding	100%	US\$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands 26 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US\$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands 8 January 1996	British Virgin Islands	Trademark holding	100%	US\$1
Phoenix Weekly Magazine (BVI) Limited	British Virgin Islands 24 January 2000	British Virgin Islands	Investment holding	100%	US\$1
PHOENIXi Investment Limited	British Virgin Islands 28 October 1999	British Virgin Islands	Investment holding	94.3%	US\$123,976 (Ordinary shares)  US\$7,500 (Series A preferred shares)
PHOENIXi, Inc.	The United States of America 3 June 1999	The United States of America	Dormant	94.3%	US\$0.1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands 6 January 2000	British Virgin Islands	Investment holding	100%	US\$1
Phoenix Satellite Television Development Limited	Hong Kong 16 April 1999	Hong Kong	Investment holding	100%	HK\$2
PCNE Holdings Limited	British Virgin Islands 5 January 2000	British Virgin Islands	Investment holding	70%	US\$1,000



## NOTES TO THE ACCOUNTS

### 19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands 31 August 2000	British Virgin Islands	Programme production	100%	US\$1
Phoenix Satellite Television (Universal) Limited	British Virgin Islands 18 July 2000	British Virgin Islands	Investment holding	100%	US\$1
Phoenix Satellite Television (U.S.) Inc.	The United States of America 7 September 2000	The United States of America	Provision of management and promotional related services	100%	US\$1
Phoenix Chinese News & Entertainment Limited (Note b)	The United Kingdom 12 November 1990	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Global Television Limited	British Virgin Islands 8 October 2001	British Virgin Islands	Investment holding	100%	US\$1
Phoenix Glow Limited	British Virgin Islands 14 March 2001	British Virgin Islands	Provision of agency services	100%	US\$1
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands 2 January 2001	British Virgin Islands	Dormant	100%	US\$1
國鳳在線(北京)信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited	PRC 18 April 2000	PRC	Internet services	94.3%	US\$500,000
鳳凰影視(深圳)有限公司 Phoenix Film and Television (Shenzhen) Company Limited	PRC 6 March 2000	PRC	Ancillary services for programme production	60%	HK\$10,000,000
深圳市梧桐山電視廣播有限公司 Shenzhen Wutong Shan Television Broadcasting Limited	PRC 31 July 2001	PRC	Programme production	54%	RMB5,000,000

(a) Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

(b) Phoenix Chinese News & Entertainment Limited has a financial accounting year of 30 June 2003 which is not coterminous with the Group.



## NOTES TO THE ACCOUNTS

### 19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

- (ii) Amount due from a subsidiary is unsecured, non-interest bearing and has no fixed repayment terms.
- (iii) The Company has undertaken to provide necessary financial resources to support the future operations of the subsidiaries. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2003.
- (iv) Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity, a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties which owns 90% interest in 深圳鳳凰置業有限公司.

Despite the fact that the formal issuance of shares to Oasiscity has not been completed as at 31 December 2003, it was agreed between the Phoenix Group and Oasiscity that control on the operational and financial decisions on Real Properties and 深圳鳳凰置業有限公司 should pass on 29 October 2003. Accordingly, Real Properties and 深圳鳳凰置業有限公司 were not accounted for as subsidiaries of Phoenix Group since 29 October 2003 (see Note 16).

### 20. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Accounts payable	8,834	7,139
Other payables and accruals	87,598	86,954
	<u>96,432</u>	<u>94,093</u>

The ageing analysis of the accounts payable is as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
0 – 30 days	4,559	4,421
31 – 60 days	1,226	264
61 – 90 days	659	32
91 – 120 days	224	411
Over 120 days	2,166	2,011
	<u>8,834</u>	<u>7,139</u>



## NOTES TO THE ACCOUNTS

### 21. PENSION OBLIGATIONS

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans at various funding rates of the employees' salaries. The assets of which are generally held in separate trustee administered funds.

- (a) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the six months ended 31 December 2003, the aggregate amount of the employer's contributions was approximately HK\$7,347,000 (year ended 30 June 2003: HK\$8,530,000). For the six months ended 31 December 2003, the total amount of forfeited contributions was approximately HK\$145,000 (year ended 30 June 2003: HK\$1,488,000).

The assets of the scheme are held separately from those of the Group and are managed by independent professional fund managers.

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Phoenix Group and each of the employees make monthly contribution to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK\$20,000 for each employee. For those employees with monthly relevant income less than HK\$5,000 since 1 February 2003 (year ended 30 June 2003: HK\$4,000), the employees' contributions are voluntary.

During the six months ended 31 December 2003, the aggregate amount of employer's contributions made by the Phoenix Group to the MPF Scheme was approximately HK\$559,000 (year ended 30 June 2003: HK\$1,254,000). For the six months ended 31 December 2003, the total amount of forfeited contributions was approximately HK\$164,000 (year ended 30 June 2003: HK\$203,000).

- (b) Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own Schemes whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.



## NOTES TO THE ACCOUNTS

### 22. SHARE CAPITAL

	As at 31 December 2003		As at 30 June 2003	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<b>Authorised:</b>				
Ordinary share of \$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>
<b>Issued and fully paid:</b>				
Beginning of period/year	4,931,730,000	493,173	4,931,730,000	493,173
Exercise of share options	–	–	–	–
End of period/year	<u>4,931,730,000</u>	<u>493,173</u>	<u>4,931,730,000</u>	<u>493,173</u>

### 23. SHARE OPTIONS

The Company has several share option schemes under which it may grant options to employees of the Phoenix Group (including Executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. Options granted are not recognised in the financial statements of the Phoenix Group until they are exercised.

Movements of share options during the six months ended 31 December 2003 were as follows:

Date of grant	Exercise period	Subscription price HK\$	Beginning of period	Granted during the period	Exercised during the period	Lapsed as a result of termination of employment	End of period
14 June 2000	14 June 2001 to 13 June 2010	1.08	46,566,000	–	–	(638,000)	45,928,000
15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	–	1,700,000
10 August 2001	10 August 2002 to 9 August 2011	1.13	12,160,000	–	–	–	12,160,000
20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	–	–	2,468,000
			<u>62,894,000</u>	<u>–</u>	<u>–</u>	<u>(638,000)</u>	<u>62,256,000</u>



## NOTES TO THE ACCOUNTS

### 24. RESERVES Group

Movements in reserves of the Phoenix Group during the year/period were as follows:

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Group Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002, as previously reported	824,839	–	(501,494)	323,345
Changes in accounting policy – provision for deferred taxation ( <i>Note 1n</i> )	–	–	252	252
At 1 July 2002, as restated	824,839	–	(501,242)	323,597
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	801	–	801
Loss attributable to shareholders	–	–	(72,363)	(72,363)
At 30 June 2003	<u>824,839</u>	<u>801</u>	<u>(573,605)</u>	<u>252,035</u>

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Group Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2003, as previously reported	824,839	801	(573,718)	251,922
Changes in accounting policy – provision for deferred taxation ( <i>Note 1n</i> )	–	–	113	113
At 1 July 2003, as restated	824,839	801	(573,605)	252,035
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	78	–	78
Loss attributable to shareholders	–	–	(38,866)	(38,866)
At 31 December 2003	<u>824,839</u>	<u>879</u>	<u>(612,471)</u>	<u>213,247</u>



## NOTES TO THE ACCOUNTS

### 24. RESERVES (Continued)

#### Company

Movements in the reserves of the Company during the year/period were as follows:

	Share premium <i>HK\$'000</i>	Company Retained earnings/ (accumulated deficit) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002	824,839	6,130	830,969
Loss attributable to shareholders	–	(46,312)	(46,312)
	<u>824,839</u>	<u>(40,182)</u>	<u>784,657</u>
At 30 June 2003	<u>824,839</u>	<u>(40,182)</u>	<u>784,657</u>

	Share premium <i>HK\$'000</i>	Company Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2003	824,839	(40,182)	784,657
Loss attributable to shareholders	–	(342)	(342)
	<u>824,839</u>	<u>(40,524)</u>	<u>784,315</u>
At 31 December 2003	<u>824,839</u>	<u>(40,524)</u>	<u>784,315</u>

*Note:* Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders. As at 31 December 2003, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, comprising the share premium account and retained earnings, amounted to approximately HK\$784,315,000 (as at 30 June 2003: HK\$784,657,000).

### 25. DEFERRED TAXATION

Deferred taxation for the six months ended 31 December 2003 are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (year ended 30 June 2003: 17.5%).

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$548,000,000 as at 31 December 2003 (as at 30 June 2003: HK\$ 517,000,000) to carry forward against future taxable income. Included in the unrecognised tax loss, approximately HK\$529,000,000 have no expiry date and the balance will expire at various dates upto and including 2022.



## NOTES TO THE ACCOUNTS

### 25. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period/year is as follows:

Deferred tax liabilities	Accelerated tax depreciation		Purchased programme and film rights		Total	
	Six months ended 31	Year ended 30 June	Six months ended 31	Year ended 30 June	Six months ended 31	Year ended 30 June
	December 2003 HK\$'000	2003 HK\$'000	December 2003 HK\$'000	2003 HK\$'000	December 2003 HK\$'000	2003 HK\$'000
At the beginning of the period/year (As restated, Note 1n)	113	193	2,111	3,994	2,224	4,187
Credited to profit and loss account	(53)	(80)	(1,428)	(1,883)	(1,481)	(1,963)
At the end of the period/year	<u>60</u>	<u>113</u>	<u>683</u>	<u>2,111</u>	<u>743</u>	<u>2,224</u>

Deferred tax assets	Tax losses		Accelerated tax depreciation		Purchased programme and film rights		Total	
	Six months ended 31	Year ended 30	Six months ended 31	Year ended 30	Six months ended 31	Year ended 30	Six months ended 31	Year ended 30
	December 2003 HK\$'000	June 2003 HK\$'000	December 2003 HK\$'000	June 2003 HK\$'000	December 2003 HK\$'000	June 2003 HK\$'000	December 2003 HK\$'000	June 2003 HK\$'000
At the beginning of the period/year (As restated, Note 1n)	(5,967)	(8,832)	3,666	4,640	77	5	(2,224)	(4,187)
Charged to profit and loss account	2,420	2,865	(862)	(974)	(77)	72	1,481	1,963
At the end of the period/year	<u>(3,547)</u>	<u>(5,967)</u>	<u>2,804</u>	<u>3,666</u>	<u>-</u>	<u>77</u>	<u>(743)</u>	<u>(2,224)</u>

### 26. ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 31 December 2003, the net current assets of the Group amounted to approximately HK\$564,191,000 (as at 30 June 2003: HK\$598,015,000). On the same date, the total assets less current liabilities was approximately HK\$713,266,000 (as at 30 June 2003: HK\$754,264,000).



## NOTES TO THE ACCOUNTS

### 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of loss from operations to net cash (outflow)/inflow from operating activities

	Six months ended 31 December 2003 <i>HK\$'000</i>	Year ended 30 June 2003 <i>HK\$'000</i>
Loss from operations	(44,579)	(93,333)
Depreciation of fixed assets	10,565	22,510
Other income, net	5,143	13,567
Exchange gain, net	834	2,466
Loss on disposal of fixed assets	87	998
Reimbursement of operating and selling, general and administrative expenses by Oasiscity	(3,596)	–
(Increase)/decrease in accounts receivable, net	(2,240)	85,515
Increase in prepayments, deposits and other receivables	(5,173)	(30,455)
Decrease/(increase) in inventories	1,430	(9,104)
Increase in amounts due from related companies	–	(96)
Decrease in self-produced programmes	10,180	5,838
Decrease in purchased programme and film rights	3,938	5,254
Increase/(decrease) in accounts payable, other payables and accruals	2,676	(10,441)
(Decrease)/increase in deferred income	(15,213)	38,499
Decrease in amounts due to related companies	(1,905)	(16,854)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<b>(37,853)</b>	14,364



## NOTES TO THE ACCOUNTS

### 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

#### (b) Disposal of subsidiaries

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000
Share of net assets disposed of		
Fixed assets, net	766	–
Land deposit	57,354	–
Other non-current assets	2,187	–
Cash and bank balances	2,618	–
Prepayments, deposits and other receivables	1	–
Accounts payable, other payables and accruals	(337)	–
Minority interests	(415)	–
	<u>62,174</u>	<u>–</u>
Less: Land deposit and development costs	<u>(61,120)</u>	<u>–</u>
Reimbursement of certain other non-current assets by Oasisicity	1,054	–
Reimbursement of operating and selling, general and administrative expenses by Oasisicity	3,596	–
	<u>4,650</u>	<u>–</u>

The subsidiaries disposed of during the period contributed approximately HK\$1,212,000 to the Group's net operating cash outflow and utilised approximately HK\$420,000 in respect of investing activities.

Analysis of net inflow from disposal of subsidiaries:

	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000
Total reimbursement by Oasisicity	4,650	–
Cash and bank balances disposed of	<u>(2,618)</u>	<u>–</u>
Net inflow from disposal of subsidiaries	<u>2,032</u>	<u>–</u>



## NOTES TO THE ACCOUNTS

### 28. BANKING FACILITIES

As at 31 December 2003, the Group had banking facilities amounted to approximately HK\$18,400,000 (as at 30 June 2003: HK\$18,300,000). Unused banking facilities as at the same date amounted to approximately HK\$10,800,000 (as at 30 June 2003: HK\$11,900,000). The facilities are covered by counter indemnities from the Group.

As at 31 December 2003, deposits of approximately HK\$3,400,000 (as at 30 June 2003: HK\$3,300,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

### 29. COMMITMENTS

#### (a) Programme and film rights acquisition

As at 31 December 2003, the Group had aggregate outstanding programme and film rights related commitments of approximately HK\$97,302,000 (as at 30 June 2003: HK\$122,565,000) of which approximately HK\$94,437,000 (as at 30 June 2003: HK\$114,596,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008 and approximately HK\$2,865,000 (as at 30 June 2003: HK\$7,969,000) was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Not later than one year	23,148	25,754
Later than one year and not later than five years	74,154	93,293
Later than five years	–	3,518
	<u>97,302</u>	<u>122,565</u>

#### (b) Service charges

As at 31 December 2003, the Group had total committed service charges payable to Satellite Television Asian Region Limited ("STARL") of approximately HK\$105,103,000 (as at 30 June 2003: HK\$126,676,000) in respect of a service agreement expiring on 30 June 2006. Total committed service charges payable to STARL are analysed as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Not later than one year	41,846	41,947
Later than one year and not later than five years	63,257	84,729
Later than five years	–	–
	<u>105,103</u>	<u>126,676</u>





## NOTES TO THE ACCOUNTS

### 29. COMMITMENTS (Continued)

#### (b) Service charges (Continued)

As at 31 December 2003, the Group had committed service charges payable to Fox News Network L.L.C. ("Fox") of approximately HK\$2,199,000 (as at 30 June 2003: HK\$4,174,000) in respect of a service agreement expiring on 25 July 2004. Total committed service charges payable to Fox are analysed as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Not later than one year	2,199	3,911
Later than one year and not later than five years	–	263
Later than five years	–	–
	<u>2,199</u>	<u>4,174</u>

As at 31 December 2003, the Group had committed service fee receivable from ATV of approximately HK\$3,246,000 (as at 30 June 2003: HK\$3,918,000) in respect of the provision of technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) in the United States. Total future minimum service fees receivable are analysed as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Not later than one year	1,298	1,306
Later than one year and not later than five years	1,948	2,612
Later than five years	–	–
	<u>3,246</u>	<u>3,918</u>

#### (c) Operating lease

As at 31 December 2003, the Group had rental commitments of approximately HK\$32,875,000 (as at 30 June 2003: HK\$38,298,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	As at 31 December 2003 HK\$'000	As at 30 June 2003 HK\$'000
Not later than one year	10,961	11,696
Later than one year and not later than five years	17,285	21,288
Later than five years	4,629	5,314
	<u>32,875</u>	<u>38,298</u>

## NOTES TO THE ACCOUNTS

### 29. COMMITMENTS (Continued)

#### (d) Other operating and capital commitments

As at 31 December 2003, the Group had the following additional significant operating and capital commitments:

Details of commitments	Payee	As at 31 December 2003 Total future minimum payments payable Later than			As at
		Not later than one year HK\$'000	one year and not later than five years HK\$'000	Total commitment HK\$'000	30 June 2003  Total commitment HK\$'000
Provision of transponder, uplinking, encoding and electronic programme guide services	British Sky Broadcasting Limited ("BSkyB")	4,650	2,325	6,975	10,137
Provision of data transmission services	PCCW-HKT Network Services Limited	2,418	–	2,418	3,648
Provision of news and datafeed services	The Associated Press Television News Limited	840	1,008	1,848	2,718
Provision of office management services	Rhine Office Investments Ltd, Elbe Office Investments Ltd. and Hutchison Hotel HK Ltd.	2,401	3,701	6,102	7,303
Provision of transponder rental services	卜樂視科技股份有限公司	1,679	–	1,679	3,015
Provision of channel leasing services	Charter Communications	1,463	–	1,463	2,174
Provision of optic fibre transmission services	China Netcom (USA) Operations Limited	651	–	651	1,440
Provision of programming services	Exclusive Production Limited	405	–	405	675
Provision of agency services	東莞市樂天物業發展公司	250	–	250	–
Provision of programme co-ordination services	株式會社中華音像出版	249	–	249	–
		<b>15,006</b>	<b>7,034</b>	<b>22,040</b>	<b>31,110</b>





## NOTES TO THE ACCOUNTS

### 30. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Phoenix Group if the Phoenix Group has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Phoenix Group and the parties are subject to common significant influence. Related parties may be individuals or entities.

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

	<i>Notes</i>	<b>Six months ended 31 December 2003 HK\$'000</b>	Year ended 30 June 2003 HK\$'000
Office premises rental paid/payable to STARL	a, b	–	257
Service charges paid/payable to STARL	a, c	<b>22,116</b>	82,082
Commission for advertising sales and marketing services paid/payable to STARL	a, d	<b>1,796</b>	8,409
Commission for international subscription sales and marketing services paid/payable to STARL	a, e	<b>1,358</b>	2,349
Sales of decoder devices to STARL	a, f	<b>24</b>	155
Film licence fees paid/payable to STAR Filmed	a, g	<b>10,172</b>	20,403
Purchase of broadcast operations and engineering equipment from STARL	a, h	<b>1,442</b>	–
Programme licence fees paid/payable to ATVE	i, j	<b>2,250</b>	13,236
Sale of a motor vehicle to ATVE	i, k	–	323
Service charges paid/payable to ATV	i, l	<b>360</b>	219
Service charges received/receivable from ATV	i, m	<b>651</b>	1,733
Service charges paid/payable to Fox	n, o	<b>2,070</b>	4,132
Service charges paid/payable to BSkyB	p, q	<b>2,534</b>	4,996

## NOTES TO THE ACCOUNTS

### 30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

*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) STARL, STAR Filmed and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.
- (b) Office premises rental paid/payable to STARL was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by STARL in respect of the area occupied by it under its lease with the landlord. STARL 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 office space for a term of four years commencing from 15 July 2002. Consequently, no rental is payable to STARL commencing from 15 July 2002.
- (c) Service charges paid/payable to STARL covering a wide range of technical services provided to the Phoenix Group are charged based on the terms of the service agreement dated 29 May 2003. The summary of the terms of the service agreement is set out in the section headed "New Star Services Agreement" of the circular of the Company dated 10 June 2003 (the "Circular"). Either fixed fees or variable fees are charged depending on the type of services utilised.
- (d) The commission for advertising sales and marketing services paid/payable to STARL is based on 4% – 15% (year ended 30 June 2003: 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.
- (e) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (year ended 30 June 2003: 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.
- (f) Sales of decoder devices to STARL 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 Filmed.
- (h) Purchases of broadcast operations and engineering equipment from STARL are charged based on terms mutually agreed upon between both parties.
- (i) ATVE is a wholly-owned subsidiary of ATV 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 beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly own approximately 46% of ATV as at 31 December 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.
- (j) Pursuant to a programme licensing agreement dated 29 May 2003, the programme licence fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule to the agreement are charged at a fixed fee or fees to be mutually agreed. The summary of the terms of the agreement are set out in the section headed "ATV Programme Licensing Agreement" of the Circular.
- (k) Sale of a motor vehicle to ATVE is based on terms mutually agreed upon between both parties.
- (l) Service charges paid/payable to ATV cover news footage and data transmission services provided to the Phoenix Group which are charged based on terms mutually agreed upon between both parties.





## NOTES TO THE ACCOUNTS

### 30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

*Notes: (Continued)*

- (m) Service charges received/receivable from ATV cover the following services provided to ATV which are charged based on terms specified in a service agreement:
- the use of floor area for the location of receivers;
  - the use of master control room equipment and transmission equipment (including maintenance for daily wear and tear);
  - fibre optic transmission; and
  - video tapes administration and playout services.
- (n) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd.
- (o) 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.
- (p) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd.
- (q) 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.

### 31. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 10 March 2004.



## FINANCIAL SUMMARY

### CONSOLIDATED RESULTS

	Six months ended 31 December 2003 HK\$'000	Year ended 30 June			
		2003 HK\$'000 (As restated)	2002 HK\$'000 (As restated)	2001 HK\$'000 (As restated)	2000 HK\$'000 (As restated)
<b>Results</b>					
Revenue	<b>350,347</b>	709,970	685,043	713,687	511,342
Operating expenses	<b>(321,668)</b>	(661,238)	(709,700)	(579,421)	(404,181)
Selling, general and administrative expenses	<b>(73,258)</b>	(142,065)	(140,356)	(132,974)	(66,393)
(Loss)/profit from operations	<b>(44,579)</b>	(93,333)	(165,013)	1,292	40,768
Other income/(expenses), net	<b>7,958</b>	21,631	(29,216)	50,566	9,140
(Loss)/profit before taxation and minority interests	<b>(36,621)</b>	(71,702)	(194,229)	51,858	49,908
Taxation	<b>(2,559)</b>	(3,811)	(3,141)	(1,356)	–
(Loss)/profit before minority interests	<b>(39,180)</b>	(75,513)	(197,370)	50,502	49,908
Minority interests	<b>314</b>	3,150	(2,346)	3,734	407
(Loss)/profit attributable to shareholders	<b>(38,866)</b>	(72,363)	(199,716)	54,236	50,315

### CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December 2003 HK\$'000	As at 30 June			
		2003 HK\$'000 (As restated)	2002 HK\$'000 (As restated)	2001 HK\$'000 (As restated)	2000 HK\$'000 (As restated)
Total assets	<b>878,039</b>	932,603	997,806	1,170,170	1,039,799
Total liabilities	<b>(165,516)</b>	(180,563)	(171,054)	(148,814)	(152,243)
Minority interests	<b>(6,103)</b>	(6,832)	(9,982)	(5,019)	(7,753)
Shareholders' equity	<b>706,420</b>	745,208	816,770	1,016,337	879,803