



鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

**RESULTS ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2005**

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

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

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

FINANCIAL SUMMARY

- Revenue for the first quarter increased to approximately HK\$299,029,000, which represented a 5.1% rise over the same period last year.
- The revenue of Phoenix Chinese Channel increased 3.0%, which was partly off-set by a decline in InfoNews' revenue of 17.2%.
- The profit attributable to equity holders of the Company was approximately HK\$41,055,000, which represented a marginal increase of 1.4% as compared to the same period last year.

During the first quarter of 2005 the Phoenix Group maintained the good performance that it achieved last year, when it produced a surge in revenue which enabled Phoenix to generate a sizeable profit after three years of loss-making. The revenue for this first quarter was only marginally higher than the same quarter last year, but given that last year's income marked a major turn-around in the company's fortunes this marginal increase demonstrated the on-going effectiveness of the new advertising-sales system introduced last year, and the widely recognized popularity of Phoenix programming.

FINANCIAL REVIEW

Revenue of the Group for the three months ended 31 March 2005 remained at last year's impressive level, amounting to approximately HK\$299,029,000. This represented an increase of 5.1%, over the same period last year. Advertising revenue, which represented 90.8% of the Group's total revenue, increased by approximately 1.2%. Operating costs increased modestly by 4.8% over the same period last year to approximately HK\$258,391,000.

The Group's profit before taxation for the three months ended 31 March 2005 was approximately HK\$49,514,000, which showed an encouraging increase of 14.5% over same period last year. But as most of the Group's tax losses had been utilized last year, the tax burden for this quarter partly offset the growth in revenue. Profit attributable to equity holders of the Company was approximately HK\$41,055,000, which represented a marginal increase of 1.4% as compared with the same period last year.

The Group's results for this quarter and the same period last year respectively are summarized below:

| | Three months ended 31 March | |
|--|--|-----------|
| | 2005 | 2004 |
| | <i>HK\$'000</i> | HK\$'000 |
| Phoenix Chinese Channel | 229,306 | 222,732 |
| Phoenix InfoNews Channel | 37,081 | 44,757 |
| Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel | 14,774 | 11,590 |
| Other businesses | 17,868 | 5,499 |
| Group's total revenue | 299,029 | 284,578 |
| Operating costs | (258,391) | (246,629) |
| Profit from operations | 40,638 | 37,949 |
| Profit before taxation | 49,514 | 43,245 |
| Profit attributable to equity holders of the Company | 41,055 | 40,475 |
| Earnings per share, Hong Kong cents | 0.83 | 0.82 |

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

| | Three months ended 31 March | |
|--|--|----------------------|
| | 2005 | 2004 |
| | <i>HK\$'000</i> | HK\$'000 |
| Phoenix Chinese Channel | 96,185 | 86,720 |
| Phoenix InfoNews Channel | (10,181) | (1,701) |
| Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel | (20,447) | (13,539) |
| Other businesses | (492) | (2,116) |
| Corporate overheads | (24,427) | (31,415) |
| Profit from operations | <u>40,638</u> | <u>37,949</u> |

Phoenix Chinese Channel remained by far the most important source of revenue for the Group, accounting for 76.7% of the Group's total revenue. The Chinese Channel's revenue increased by 3.0% as compared to the same period last year, and its operating profit increased to approximately HK\$96,185,000, or by 10.9%.

The performance of Phoenix InfoNews Channel was less satisfactory. Revenue decreased by 17.2% to approximately HK\$37,081,000, while operating costs increased marginally. Operating loss was thereby widened to approximately HK\$10,181,000. The decline in InfoNews' revenue essentially flowed from the decrease in bundling sales, which occurred as a result of some

advertisers resisting the requirement imposed by Phoenix to place their advertisement on both Phoenix Chinese Channel and Phoenix InfoNews Channel at a pre-determined mix. A further factor seems to be that because certain new programmes will only begin to be broadcast on InfoNews during the second quarter of this year some advertisers have held back on the placement of advertising in order to be able to assess the likely success of such new programming. The use of this bundling sales strategy is a natural means of enhancing InfoNews' income while it is in a developmental stage. The management is continuing to review the extent to which it should pursue to this strategy in the future, and is also planning to strengthen InfoNews programming in order to respond to the market's need.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased to approximately HK\$14,774,000. Due to increases in operating costs and provision for doubtful debt, however, operating loss increased to approximately HK\$20,447,000.

Performance of both the magazine and internet businesses showed gradual improvement in the period.

BUSINESS OVERVIEW

Phoenix Chinese Channel, which remains the key element of the Group's business, has continued to be one of the most innovative and popular television channels available to the Chinese audience. While new broadcasters are entering the Chinese television market, and competition for viewers is increasing, the Chinese Channel has maintained its leading position by striving to produce or acquire new entertainment and informative programmes that cater to the tastes of the Chinese-speaking audience in mainland China and beyond, providing the audience with a balanced menu of entertainment and information.

Phoenix InfoNews has consistently followed major world developments, including the devastating tsunami in South and Southeast Asia, the continuing political violence in Iraq and the kidnapping of a group of Chinese labourers in Iraq, and the assassination of the former Lebanon premier Hariri. Phoenix also covered major developments in cross-Strait relations, such as the visit to China by Chiang Bing-kun, the vice chairman of the KMT, the meeting between Taiwan President Chen Shui-bian and the leader of the People's First Party James Soong, and the operation of direct charter flights between mainland China and Taiwan during the Chinese New Year period. InfoNews has had major carriage of the task of reporting news and economic information, and it continues to make a major contribution to the Phoenix brand name, underscoring Phoenix's reputation for a global outlook and real-time information.

PROSPECTS

This quarter's results confirm that the Group's performance over the last year was not a one-off achievement and demonstrate that the factors that led to the dramatic turn around in Phoenix's performance last year, namely the popularity of Phoenix programming and the effectiveness of the new advertising marketing system, have continued to shape Phoenix's performance and can be expected to do so for the remainder of 2005. The Chinese economy remains buoyant, and should continue to be the source of a steady stream of advertising revenue. At the same time Phoenix is exploring outlets for its content in order to ensure that the effort it invests in producing new and fresh programming generates the maximum financial returns possible.

The Directors of Phoenix Satellite Television Holdings Limited (the “Company”) have the pleasure of presenting the unaudited condensed consolidated profit and loss account, condensed consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2005 (the “period”), and the unaudited condensed consolidated balance sheet of the Group as at 31 March 2005, together with the comparative figures for the corresponding period and relevant date in 2004.

DIRECTORS’ INTERESTS IN SECURITIES

As at 31 March 2005, 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 5.46 to 5.67 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:

(1) Ordinary shares

| Name | Personal interest | Family interest | Corporate interest | Other interest | Total number of shares | Percentage of shareholding |
|---------------------------|-------------------|-----------------|--------------------|----------------|------------------------|----------------------------|
| LIU, Changle ¹ | – | – | 1,854,000,000 | – | 1,854,000,000 | 37.54% |
| LO, Ka Shui ² | 2,000,000 | – | – | – | 2,000,000 | 0.04% |

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 37.5% of the issued share capital of the Company as at 31 March 2005.

¹ Being an Executive Director of the Company.

² Being an Independent Non-Executive Director of the Company.

Save as disclosed herein, as at 31 March 2005, 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 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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 two and four Directors established for the administration of each 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 10 December 2004 and the Share Option Scheme on 14 February 2001, 6 August 2002 and 10 December 2004 respectively.

(1) Pre-IPO Share Option Scheme

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

| Type and number of remaining grantees | Date of grant | Vesting period | Exercise period | Exercise price per share HK\$ | Number of share options | | | Balance as at 31 March 2005 |
|---------------------------------------|---------------|------------------------------|------------------------------|----------------------------------|------------------------------|--------------------------|-----------------------------|-----------------------------|
| | | | | | Balance as at 1 January 2005 | Lapsed during the period | Exercised during the period | |
| 2 Executive Directors: | | | | | | | | |
| LIU, Changle | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 5,320,000 | - | - | 5,320,000 |
| CHUI, Keung | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 3,990,000 | - | - | 3,990,000 |
| 84 other employees | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 31,662,000 | - | (554,000) | 31,108,000 |
| Total: 86 employees | | | | | <u>40,972,000</u> | <u>-</u> | <u>(554,000)</u> | <u>40,418,000</u> |

During the three months ended 31 March 2005, 554,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK\$1.54.

Save as disclosed above, no option has been 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 details of share options granted by the Company under the Share Option Scheme to the employees of the Group to acquire shares are as follows:

| Type and number of remaining grantees | Date of grant | Vesting period | Exercise period | Exercise price per share HK\$ | Number of share options | | | |
|---------------------------------------|------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------------------|--------------------------|-----------------------------|-----------------------------|
| | | | | | Balance as at January 2005 | Lapsed during the period | Exercised during the period | Balance as at 31 March 2005 |
| 2 employees | 15 February 2001 | 15 February 2001 to 14 February 2005 | 15 February 2002 to 14 February 2011 | 1.99 | 1,700,000 | - | - | 1,700,000 |
| 17 employees | 10 August 2001 | 10 August 2001 to 9 August 2005 | 10 August 2002 to 9 August 2011 | 1.13 | 12,040,000 | (500,000) | (862,000) | 10,678,000 |
| 5 employees | 20 December 2002 | 20 December 2002 to 19 December 2006 | 20 December 2003 to 19 December 2012 | 0.79 | 2,230,000 | - | (364,000) | 1,866,000 |
| Total: | | | | | <u>15,970,000</u> | <u>(500,000)</u> | <u>(1,226,000)</u> | <u>14,244,000</u> |

During the three months ended 31 March 2005, 500,000 options granted to an employee lapsed when he ceased his employment with the Phoenix Group.

During the three months ended 31 March 2005, 1,226,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK\$1.50.

Save as disclosed above, no option has been 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.

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

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited (“PHOENIXi”), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the “PHOENIXi Plan”). Under the PHOENIXi Plan, the employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or its subsidiaries or the Company are eligible to take up options to subscribe for shares in PHOENIXi. The summary of the terms of the PHOENIXi Plan are set out in the section headed “Share Option Schemes” of the annual report for the year ended 31 December 2004.

For the three months ended 31 March 2005, no option had been granted under the PHOENIXi Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the Group companies, including any Executive Directors, to take up options to subscribe for shares. The maximum number of shares in respect of which options may be granted under the share option schemes may not exceed 10% of the issued share capital of the Company. The terms of the Share Option Scheme were amended on 14 February 2001, 6 August 2002 and 10 December 2004 respectively, and a summary of the amended Share Option Scheme is set out in the section headed "Share Option Schemes" of the annual report for the year ended 31 December 2004.

Save as disclosed herein, and other than those in connection with the 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 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 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.

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

As at 31 March 2005, 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 or entered in the register kept by the Company pursuant to Section 352 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. (<i>Note 1</i>) | 1,854,000,000 | 37.5% |
| Today's Asia Limited (<i>Note 2</i>) | 1,854,000,000 | 37.5% |

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 LLC Australia Pty Limited, which in turn is a wholly-

owned subsidiary of STAR US Holdings Subsidiary, LLC. STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings, Inc., which in turn is a wholly-owned subsidiary of News Publishing Australia Limited. News Publishing Australia Limited is an indirect wholly-owned subsidiary of News Australia Holdings Pty Limited, which in turn is a wholly-owned subsidiary of News Corporation.

By virtue of the SFO, News Corporation, News Australia Holdings Pty Limited, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, 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.

(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 | 8.3% |

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 Limited, which in turn is a wholly-owned subsidiary of Central Huijin Investment Company Limited. By virtue of the SFO, Central Huijin Investment Company Limited, 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 has no sponsors since 1 July 2002. Accordingly, no additional disclosure is made.

COMPETING INTERESTS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests in approximately 37.5%, 37.5% and 8.3% 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 and engages in programme licensing and advertising agency business throughout the world, including China. 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 2004 that it has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7%, respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in Asia Television Limited ("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 March 2005. He also owns 80% of Dragon Goodwill International Limited, which 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. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

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 9 to this quarterly report for the details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public 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 will meet at least four times a year to review with management the accounting principles and practices adopted by the 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 three Independent Non-Executive Directors, namely Dr. LO, Ka Shui, Mr. KUOK, Khoon Ean (resigned on 10 March 2005), Mr. LEUNG Hok Lim (appointed on 21 January 2005) and Mr. Thaddeus Thomas BECZAK (appointed on 11 March 2005).

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the period.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 11 May 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2005

| | <i>Note</i> | For the three months ended 31 March 2005 HK\$'000 | For the three months ended 31 March 2004 HK\$'000 (note 2) |
|--|-------------|--|--|
| Revenue | 3 | 299,029 | 284,578 |
| Operating expenses | 16 | (195,732) | (205,622) |
| Selling, general and administrative expenses | 16 | (62,659) | (41,007) |
| Profit from operations | 4 | 40,638 | 37,949 |
| Provision for impairment loss in a jointly controlled entity | | (472) | – |
| Other income | | | |
| Exchange gain, net | | 2,666 | 802 |
| Interest income, net | | 2,675 | 1,140 |
| Other income, net | | 4,007 | 3,354 |
| Profit before taxation | | 49,514 | 43,245 |
| Taxation | 5 | (8,483) | (2,421) |
| Profit for the period | | 41,031 | 40,824 |
| Attributable to: | | | |
| Profit attributable to equity holders of the Company | | 41,055 | 40,475 |
| Minority interests | | (24) | 349 |
| | | 41,031 | 40,824 |
| Earnings per share for profit attributable to the equity holders of the Company during the period | | | |
| Basic earnings per share, Hong Kong cents | 7 | 0.83 | 0.82 |
| Diluted earnings per share, Hong Kong cents | 7 | 0.83 | 0.82 |

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 MARCH 2005

| | <i>Note</i> | As at 31 March 2005 <i>HK\$'000</i> | As at 31 December 2004 <i>HK\$'000</i> (Audited) <i>(note 2)</i> |
|--|-------------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Purchased programme and film rights, net | 10 | 16,052 | 18,402 |
| Fixed assets, net | | 52,728 | 54,869 |
| Property deposit and development costs | 11 | 63,761 | 62,515 |
| Investments in jointly controlled entities | 12 | 11,500 | 472 |
| Financial assets at fair value through profit or loss | 13 | 14,978 | 53,461 |
| Deferred tax assets | | 900 | 30 |
| | | <hr/> 159,919 <hr/> | <hr/> 189,749 <hr/> |
| Current assets | | | |
| Accounts receivable, net | 8 | 127,037 | 98,397 |
| Prepayments, deposits and other receivables | 9 | 402,450 | 351,005 |
| Inventories | | 9,076 | 8,751 |
| Amounts due from related companies | 16 | 966 | 507 |
| Self-produced programmes | | 13,653 | 10,652 |
| Purchased programme and film rights, net, current portion | 10 | 7,774 | 11,665 |
| Profits tax recoverable | | – | 384 |
| Cash and bank balances | | 481,074 | 411,482 |
| | | <hr/> 1,042,030 <hr/> | <hr/> 892,843 <hr/> |
| Total assets | | <hr/> 1,201,949 <hr/> | <hr/> 1,082,592 <hr/> |

| | | As at 31 March 2005 HK\$'000 | As at 31 December 2004 HK\$'000 (Audited) (note 2) |
|--|----|---|--|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 14 | 493,858 | 493,680 |
| Reserves | | 413,095 | 369,968 |
| | | 906,953 | 863,648 |
| Minority interests | | 6,813 | 6,837 |
| Total equity | | 913,766 | 870,485 |
| Non-current liability | | | |
| Deferred tax liabilities | | 900 | 30 |
| Current liabilities | | | |
| Accounts payable, other payables and accruals | | 133,398 | 165,078 |
| Deferred income | | 141,568 | 38,914 |
| Amounts due to related companies | 16 | 4,224 | 8,085 |
| Profits tax payable | | 8,093 | – |
| | | 287,283 | 212,077 |
| Total liabilities | | 288,183 | 212,107 |
| Total equity and liabilities | | 1,201,949 | 1,082,592 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2005

| | Attributable to equity holders of the Company | | | | | Total equity HK\$'000 (note 2) |
|--|---|------------------------------|---------------------------------|-------------------------------------|-----------------------------------|---|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange reserve HK\$'000 | Accumulated deficits HK\$'000 | Minority interests HK\$'000 | |
| | At 1 January 2004 | 493,173 | 824,839 | 879 | (612,471) | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | – | – | 1,148 | – | – | 1,148 |
| Exercise of share options | 222 | 2,130 | – | – | – | 2,352 |
| Profit for the period | – | – | – | 40,475 | 349 | 40,824 |
| | <u>493,395</u> | <u>826,969</u> | <u>2,027</u> | <u>(571,996)</u> | <u>6,452</u> | <u>756,847</u> |
| At 31 March 2004 | <u>493,395</u> | <u>826,969</u> | <u>2,027</u> | <u>(571,996)</u> | <u>6,452</u> | <u>756,847</u> |
| | | | | | | |
| | Attributable to equity holders of the Company | | | | | Total equity HK\$'000 |
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange reserve HK\$'000 | Accumulated deficits HK\$'000 | Minority interests HK\$'000 | |
| | At 1 January 2005 | 493,680 | 829,741 | 2,204 | (461,977) | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | – | – | 390 | – | – | 390 |
| Exercise of share options | 178 | 1,682 | – | – | – | 1,860 |
| Profit for the period | – | – | – | 41,055 | (24) | 41,031 |
| | <u>493,858</u> | <u>831,423</u> | <u>2,594</u> | <u>(420,922)</u> | <u>6,813</u> | <u>913,766</u> |
| At 31 March 2005 | <u>493,858</u> | <u>831,423</u> | <u>2,594</u> | <u>(420,922)</u> | <u>6,813</u> | <u>913,766</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2005

| | For the three months ended 31 March 2005 HK\$'000 | For the three months ended 31 March 2004 HK\$'000 |
|---|--|--|
| Net cash inflow from operating activities | 44,022 | 66,774 |
| Net cash inflow/(outflow) from investing activities | 23,454 | (32,593) |
| Net cash inflow from financing activities | 1,860 | 2,352 |
| Increase in cash and bank balances | 69,336 | 36,533 |
| Cash and bank balances, beginning of period | 411,482 | 388,869 |
| Effect of foreign exchange rate changes | 256 | 761 |
| Cash and bank balances, end of period | <u>481,074</u> | <u>426,163</u> |

NOTES TO THE CONDENSED ACCOUNTS – UNAUDITED

1 General Information

Phoenix Satellite Television Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) engage in the satellite television broadcasting activities.

The Company is a limited company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, British West Indies, Cayman Islands.

The Company is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

This unaudited condensed accounts have been approved for issue by the Board of Directors on 11 May 2005.

2 Basis of preparation and accounting policies

- (i) Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (together as “New HKFRSs”)

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of New HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1 January 2005 onward.

The comparative financial statements for 2004 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

Except for the following, the adoption of the New HKFRSs did not result in substantial changes to the Group’s accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the annual financial statements as of and for the year ended 31 December 2004:

- Hong Kong Accounting Standard 1 – Presentation of Financial Statements (“HKAS 1”) has impacted the presentation of the following notable elements in the Group’s condensed accounts:
 - minority interests are presented within equity on the face of the condensed consolidated balance sheet while it was presented outside of equity previously.
 - movement of minority interests is included in the consolidated statement of changes in equity while this was not required previously.
 - allocation of profit/(loss) attributable to minority interests and equity holders of the Company are disclosed on the face of the condensed consolidated profit and loss account after profit for the period while the allocation to minority interests was previously disclosed as a separate line item before arriving at profit attributable to the equity holders of the Company.

2 Basis of preparation and accounting policies (Continued)

(i) Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (together as “New HKFRSs”) (Continued)

- Hong Kong Accounting Standard 24 – Related Party Disclosures (“HKAS 24”) has expanded the definition of related parties to include key management of the Group (see note 16(iii)).
- The adoption of Hong Kong Financial Reporting Standards 2 – Share-based Payments (“HKFRS 2”) has resulted in a change in accounting policy for employee share options. Under HKFRS 2 the Group is required to determine the fair value of all share-based payments to employees as remuneration and recognise an expense in the profit and loss account. This treatment results in a reduction in profit as such items have not been recognised as expenses under the previous accounting policy. Under the specific transitional provisions of HKFRS 2, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7 November 2002 and had not yet vested by 1 January 2005 and to liabilities arising from share-based payment transactions existing on 1 January 2005. The directors consider the adoption of HKFRS 2 do not have material impact on the condensed accounts and accordingly, no adjustments have been recorded to reflect the impact of applying HKFRS 2 in the accompanying condensed accounts.

Had the adjustments on application of HKFRS 2 been applied, the Group’s opening accumulated deficits at 1 January 2004 and 2005 would increase by approximately HK\$560,000 and HK\$840,000, respectively, in accounting for the previously unrecognised employee share-based compensation expenses. Net profit for the three months ended 31 March 2004 and 2005 and accumulated deficits as at 31 March 2004 and 2005 of the Group would decrease by approximately HK\$70,000 and HK\$40,000, respectively.

- The adoption of Hong Kong Accounting Standard 32 – Financial Instruments: Disclosure and Presentation (“HKAS 32”) and Hong Kong Accounting Standard 39 – Financial Instruments: Recognition and Measurement (“HKAS 39”) have resulted in a change in accounting policies for recognition, measurement, de-recognition and disclosure of financial instruments. In accordance with the provisions of HKAS 39, the Group has classified its investment in unlisted securities as at 31 March 2005 as financial assets at fair value through profit or loss. Interest income and net realised and unrealised gain/(losses) for financial assets at fair value through profit or loss are included as other income in the condensed consolidated profit and loss account.

“Other investments”, which were carried at fair value at 31 December 2004 and whose interest income and net realised and unrealised gain/(losses) were included as other income in the consolidated profit and loss account for the year ended 31 December 2004 under Statements of Standard Accounting Policy 24 – Accounting for Investments in Securities were designated as “financial assets at fair value through profit or loss” in the condensed consolidated balance sheet under HKAS 39.

The comparative figures for 2004 presented herein have incorporated the effect of adjustments, where applicable, resulting from the adoption of the New HKFRSs above.

2 Basis of preparation and accounting policies *(Continued)*

- (ii) This unaudited condensed accounts has been prepared in accordance with Hong Kong Accounting Standard 34 – Interim Financial Reporting (“HKAS 34”) and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The unaudited condensed accounts has been prepared under the historical cost convention, as modified by revaluation of financial assets which are classified as financial assets at fair value through profit or loss.

The preparation of the unaudited condensed accounts in conformity with the New HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated accounts include provision for doubtful debts, provision for taxation and provision for assets impairment.

3 Segmental information

The Group is organised into four main business segments including:

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

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

| | For the three months ended 31 March 2005 | | | | | |
|--|--|--|---|--|---|--------------------------|
| | Television broad- casting <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> |
| Revenue | | | | | | |
| External sales | 281,161 | 1,224 | 2,112 | 14,532 | – | 299,029 |
| Inter-segment sales | – | 5,773 | – | – | (5,773) | – |
| Total revenue | <u>281,161</u> | <u>6,997</u> | <u>2,112</u> | <u>14,532</u> | <u>(5,773)</u> | <u>299,029</u> |
| Segment results | 67,933 | (1) | (1,712) | 1,453 | – | 67,673 |
| Unallocated expenses (<i>Note a</i>) | | | | | | <u>(18,159)</u> |
| Profit before taxation | | | | | | 49,514 |
| Taxation | | | | | | <u>(8,483)</u> |
| Profit for the period | | | | | | <u>41,031</u> |

3 Segmental information (Continued)

| | For the three months ended 31 March 2004 | | | | | Group HK\$'000 |
|-------------------------------|---|---|----------------------------------|---------------------------------|--|-------------------|
| | Television broad- casting 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 | 279,079 | 763 | 427 | 4,309 | – | 284,578 |
| Inter-segment sales | – | 5,594 | – | – | (5,594) | – |
| Total revenue | <u>279,079</u> | <u>6,357</u> | <u>427</u> | <u>4,309</u> | <u>(5,594)</u> | <u>284,578</u> |
| Segment results | 73,987 | 969 | (2,453) | (264) | – | 72,239 |
| Unallocated expenses (Note a) | | | | | | (28,994) |
| Profit before taxation | | | | | | 43,245 |
| Taxation | | | | | | (2,421) |
| Profit for the period | | | | | | <u>40,824</u> |

Note:

(a) Unallocated expenses represent primarily:

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

4 Profit from operations

Profit from operations is stated after charging and crediting the following:

| | For the three months ended 31 March | |
|---|--|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Charging: | | |
| Amortisation costs of purchased programme and film rights | 5,538 | 5,936 |
| Production costs of self-produced programmes | 21,500 | 23,338 |
| Transponder rental | 4,221 | 4,100 |
| Provision for doubtful debts | 29,114 | 11,418 |
| Staff costs, including Directors' emoluments | 60,989 | 56,312 |
| Operating lease rental – land and buildings of third parties | 3,408 | 3,236 |
| Depreciation of fixed assets | <u>6,360</u> | <u>5,902</u> |
| Crediting: | | |
| Reversal of provision for discretionary bonus | 10,695 | – |
| Reversal of provision for commission expenses | 5,420 | – |
| Reversal of overaccrued production costs | <u>3,913</u> | <u>–</u> |

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (three months ended 31 March 2004: 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 condensed consolidated profit and loss account represents:

| | For the three months ended 31 March | |
|-------------------------|--|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Current taxation | | |
| – Hong Kong profits tax | 8,477 | 2,406 |
| – Overseas taxes | 6 | 15 |
| Deferred taxation | – | – |
| | 8,483 | 2,421 |

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

| | For the three months ended 31 March | |
|---|--|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Profit before taxation | 49,514 | 43,245 |
| Calculated at a taxation rate of 17.5% (three months ended 31 March 2004: 17.5%) | 8,665 | 7,568 |
| Income not subject to taxation | (2,058) | (2,457) |
| Expenses not deductible for taxation purposes | 6,821 | 4,953 |
| Tax losses not recognised | 2,129 | 1,602 |
| Utilisation of previously unrecognised tax losses | (6,877) | (9,260) |
| Others | (197) | 15 |
| Taxation charge | 8,483 | 2,421 |

6 Interim dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: nil).

7 Earnings per share

The calculation of earnings per share and diluted earnings per share are based on unaudited consolidated profit attributable to equity holders of the Company for the three months ended 31 March 2005 of HK\$41,055,000 (three months ended 31 March 2004: HK\$40,475,000).

Earnings per share is based on 4,937,349,000 (three months ended 31 March 2004: 4,932,553,000) weighted average number of ordinary shares outstanding during the three months ended 31 March 2005.

Diluted earnings per share is based on 4,952,621,000 (three months ended 31 March 2004: 4,944,173,000) ordinary shares which is the weighted average number of ordinary shares in issue during the three months ended 31 March 2005 plus the weighted average number of 15,272,000 (three months ended 31 March 2004: 11,620,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8 Accounts receivable, net

| | As at 31 March 2005 HK\$'000 | As at 31 December 2004 HK\$'000 (Audited) |
|------------------------------------|---|---|
| 0 – 30 days | 34,368 | 23,642 |
| 31 – 60 days | 28,841 | 16,280 |
| 61 – 90 days | 13,969 | 10,800 |
| 91 – 120 days | 18,621 | 13,163 |
| Over 120 days | 96,072 | 72,620 |
| | <hr/> | <hr/> |
| | 191,871 | 136,505 |
| Less: Provision for doubtful debts | (64,834) | (38,108) |
| | <hr/> | <hr/> |
| | 127,037 | 98,397 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group generally requires customers to pay in advance or cash on delivery, and allows a credit period of 30 days to 90 days to some customers.

9 Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK\$360,862,000 (as at 31 December 2004: HK\$314,763,000) 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 interest 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 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 and there has been no change to this arrangement as of 31 March 2005.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangement such as ours with Shenzhou, therefore the extent of the enforceability of the arrangement is still unclear. Although the management recognises that the present arrangements are the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The Directors are of the opinion that the amount owing from Shenzhou of approximately HK\$360,862,000 as at 31 March 2005 is fully recoverable and no provision is required.

10 Purchased programme and film rights, net

| | For the three months ended 31 March 2005 HK\$'000 | For the year ended 31 December 2004 HK\$'000 (Audited) |
|--|--|--|
| Balance, beginning of period/year | 30,067 | 33,392 |
| Additions | 2,724 | 20,414 |
| Amortisation | (5,538) | (23,169) |
| Write-off | (3,380) | – |
| Others | (47) | (570) |
| | <hr/> | <hr/> |
| Balance, end of period/year | 23,826 | 30,067 |
| Less: Purchased programme and film rights – current portion | (7,774) | (11,665) |
| | <hr/> 16,052 <hr/> | <hr/> 18,402 <hr/> |

11 Property 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)¹ 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 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”), then a wholly-owned subsidiary of the Group had a 90% equity interest.

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)¹ as the cost of the land acquisition, and was recorded as a property deposit of the Group as at 30 June 2003.

Pursuant to an agreement dated 29 October 2003 entered into by the 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 acquired 60% interest in Real Properties, which owns 90% interest in 深圳鳳凰置業有限公司. The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Group, under which it charged 30% equity interest in Real Properties, as security for the due performance of its obligations under the agreement dated 29 October 2003. Pursuant to the agreement, Oasiscity will be responsible for providing all required financing for the development of the building and the Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area on completion of the development, which is expected to have a value of not less than the current carrying value of approximately HK\$63,761,000 (31 December 2004: HK\$62,515,000), comprising property deposits of approximately HK\$61,120,000 (31 December 2004: HK\$61,120,000) and renovation costs of approximately HK\$2,641,000 (31 December 2004: HK\$1,395,000).

¹ name translated for reference only

12 Investments in jointly controlled entities

| | As at 31 March 2005 HK\$'000 | As at 31 December 2004 HK\$'000 (Audited) |
|---|---|---|
| Unlisted investments, at cost, beginning of the period/year | 472 | 472 |
| Acquisition | <u>11,500</u> | <u>—</u> |
| Unlisted investments, at cost, end of the period/year | 11,972 | 472 |
| Less: provision for impairment loss | <u>(472)</u> | <u>—</u> |
| Unlisted investments, net, end of the period/year | <u><u>11,500</u></u> | <u><u>472</u></u> |

Details of the jointly controlled entities as at 31 March 2005 were as follows:

| Name | Place and date of incorporation | Place of operation | Principal activity | Percentage of equity interest directly held by the Group | Issued and fully paid share capital/ registered capital |
|---------------------------------|--|---------------------------|---|---|---|
| China Global Television Limited | British Virgin Islands, 18 October 2001 | British Virgin Islands | Dormant | 50% | US\$2 |
| 北京翡翠鳳凰文化 投資諮詢有限公司 | The PRC, 27 June 2003 | The PRC | Dormant | 40% | RMB1,250,000 |
| 北京同步廣告廣播 有限公司 | The PRC, 7 January 2005 | The PRC | Advertising business in radio broadcasting industry in the PRC | 45% | RMB26,700,000 |

13 Financial assets at fair value through profit or loss

The Group's interests in unlisted securities were acquired at a cost of approximately HK\$15,561,000 (as at 31 December 2004: HK\$54,425,000), and has an estimated fair value of approximately HK\$14,978,000 as at 31 March 2005 (as at 31 December 2004: HK\$53,461,000). The difference between the acquisition cost and the fair value of the investments of approximately HK\$583,000 has been charged to the profit and loss account in the current period (three months ended 31 March 2004: nil).

14 Share capital

| | Three months ended 31 March 2005 | | Year ended 31 December 2004 | |
|-----------------------------------|----------------------------------|--------------------|-----------------------------|---------------------------------|
| | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 (Audited) |
| Authorised: | | | | |
| Ordinary share of HK\$0.1 each | <u>10,000,000,000</u> | <u>1,000,000</u> | <u>10,000,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | | | |
| Beginning of period/year | 4,936,796,000 | 493,680 | 4,931,730,000 | 493,173 |
| Exercise of share options | <u>1,780,000</u> | <u>178</u> | <u>5,066,000</u> | <u>507</u> |
| End of period/year | <u>4,938,576,000</u> | <u>493,858</u> | <u>4,936,796,000</u> | <u>493,680</u> |

15 Commitments – Programme and film rights acquisition

As at 31 March 2005, the Group had aggregate outstanding programme and film rights-related commitments of approximately HK\$69,526,000 (as at 31 December 2004: HK\$74,373,000) of which all (as at 31 December 2004: all) were in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited (“STAR Filmed”) extending to 27 August 2008. Total programme and film rights-related commitments are analysed as follows:

| | As at 31 March 2005 HK\$'000 | As at 31 December 2004 HK\$'000 (Audited) |
|---|---------------------------------------|---|
| Not later than one year | 20,413 | 20,343 |
| Later than one year and not later than five years | <u>49,113</u> | <u>54,030</u> |
| | <u>69,526</u> | <u>74,373</u> |

16 Related party transactions

(i) The Group had the following transactions with the related parties, as defined in HKAS 24:

| | Notes | For the three months ended 31 March | |
|---|-------|--|------------------|
| | | 2005 HK\$'000 | 2004 HK\$'000 |
| Service charges paid/payable to Satellite Television Asian Region Limited ("STARL") | a, b | 13,422 | 13,127 |
| Commission for advertising sales and marketing services paid/payable to STARL | a, c | 51 | 260 |
| Commission for international subscription sales and marketing services paid/payable to STARL | a, d | 627 | 696 |
| Sales of decoder devices to STARL | a, e | – | 29 |
| Film licence fees paid/payable to STAR Filmed | a, f | 5,099 | 5,063 |
| Service charges paid/payable to Asia Television Limited ("ATV") | g, h | 22 | 32 |
| Service charges received/receivable from ATV | g, i | 320 | 324 |
| Service charges paid/payable to Fox News Network L.L.C. ("Fox") | j, k | 63 | 1,031 |
| Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB") | l, m | 1,276 | 1,240 |
| Service charges received/receivable from DIRECTV, Inc. ("DIRECTV") | n, o | 506 | 403 |
| Programme licence fees to SGL Entertainment Limited ("SGL Entertainment") | a, p | 491 | 147 |
| Key management compensation | iii | <u>4,694</u> | <u>4,403</u> |

16 Related party transactions (Continued)

Notes:

- (a) STARL, STAR Filmed, SGL Entertainment 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) Service charges paid/payable to STARL covering a wide range of technical services provided to the 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.
- (c) The commission for advertising sales and marketing services paid/payable to STARL is based on 15% (three months ended 31 March 2004: 15%) of the net advertising income generated and received by it on behalf of the Group after deducting the relevant amount of the third party agency fees.
- (d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (three months ended 31 March 2004: 15%) of the subscription fees generated and received by it on behalf of the Group.
- (e) Sales of decoder devices to STARL are charged based on terms mutually agreed upon between both parties.
- (f) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR Filmed.
- (g) Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today’s Asia Limited, which indirectly owns approximately 46% of ATV as at 31 March 2005. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 March 2005. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.
- (h) Service charges paid/payable to ATV cover news footage and data transmission services provided to the Group which are charged based on terms mutually agreed upon between both parties.

16 Related party transactions (Continued)

- (i) 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.
- (j) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.
- (k) Service charges paid/payable to Fox cover the following services provided to the 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.
- (l) BSKyB is 36.3% owned by News Holdings Limited (“NHL”), a wholly-owned subsidiary of News Corporation, which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.
- (m) Service charges paid/payable to BSKyB cover the following services provided to the Group which are charged based on terms specified in the service agreements:
 - transponder rental;
 - uplinking services; and
 - encoding and electronic programme guide services.
- (n) DIRECTV is an associate of NHL, a wholly-owned subsidiary of News Corporation, which indirectly owned 100% of Xing Kong Chuan Mei Group Co., Ltd.
- (o) Service charges received/receivable from DIRECTV are charged based on terms specified in a service agreement.
- (p) Programme license fees to SGL Entertainment are charged based on terms specified in a license agreement.

16 Related party transactions (Continued)

- (ii) Period/year end balances arising from related parties transactions as disclosed in note 16(i) above were as follows:

| | As at 31 March 2005 HK\$'000 | As at 31 December 2004 HK\$'000 (Audited) |
|------------------------------------|---|--|
| Amounts due from related companies | 966 | 507 |
| Amounts due to related companies | <u>(4,224)</u> | <u>(8,085)</u> |

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

- (iii) Key management compensation

| | For the three months ended 31 March | |
|--------------------------------|--|--------------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Salaries | 3,116 | 2,931 |
| Quarters and housing allowance | 1,267 | 1,179 |
| Pension fund | 311 | 293 |
| | <u>4,694</u> | <u>4,403</u> |

As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle and Mr. CHUI Keung, the non-executive directors of the Company are Ms GUTHRIE Michelle Lee, Mr. LAU Yu Leung John, Mr. CHEUNG Chun On Daniel, Mr. XU Gang (alternate director: Mr. GONG Jianzhong) and Mr. CHEUNG San Ping and the independent non-executive directors are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.