



Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



Third Quarterly Report **2005**

Phoenix Satellite Television Holdings Limited

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CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- The Phoenix Group's revenue for nine months ended 30 September 2005 was approximately HK\$883,329,000 which was 5.7% higher than the same period in the previous year.
- Operating costs also increased by 7.7% to approximately HK\$779,216,000 during this period, leading to a slight drop in the profit from operations of 7.5%. Nonetheless the profit attributable to equity holders of the Company rose by some 11.5% over the same period last year.
- Given that 2004 represented a turn-around in the Group's performance the results so far this year reflect that Phoenix has consolidated the gains made last year and is now well placed to face future challenges.

FINANCIAL REVIEW

Revenue of the Group for the nine months ended 30 September 2005 was approximately HK\$883,329,000. This represented a moderate increase of 5.7%, over the same period last year. Advertising revenue, which represented 91.6% of the Group's total revenue, increased by approximately 3.0%.

Operating costs increased by 7.7% over the same period last year to approximately HK\$779,216,000. The main factor underlying this increase in operating costs was the provision for doubtful debt. The expenditure of the Group's core business activities remained relatively stable.

The Group's profit before income tax for the nine months ended 30 September 2005 was approximately HK\$154,936,000, which showed an increase of 23.2% over same period last year. But as most of the Group's tax losses had been utilized last year, the tax burden for this period partly offset the growth. Profit attributable to equity holders of the Company was approximately HK\$133,581,000, which represented an increase of 11.5% as compared with the same period last year. This increase was partly attributable to the disposal of 50% of Phoenix's interest in the property to be built in Shenzhen, which represented a one-off income of approximately HK\$19,000,000 in second quarter of 2005. This sale was the consequence of the Group assessing that it would not require as much space as originally thought in Shenzhen in the near future. The revaluation of Renminbi in July 2005 also contributed to the Group's profit by approximately HK\$10,000,000.



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

	Nine months ended 30 September	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Phoenix Chinese Channel	657,605	646,582
Phoenix InfoNews Channel	131,443	130,800
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	49,685	39,996
Other businesses	44,596	18,648
Group's total revenue	883,329	836,026
Operating costs	(779,216)	(723,459)
Profit from operations	104,113	112,567
Profit before income tax	154,936	125,755
Profit attributable to equity holders of the Company	133,581	119,777
Earnings per share, Hong Kong cents	2.71	2.43

The Group's performance for the three months ended 30 September 2005 was relatively steady. Revenue increased by 9.7% to approximately HK\$293,070,000 while operating costs increased to approximately HK\$262,496,000 over the same period last year. Profit attributable to equity holders of the Company was increased to approximately HK\$41,826,000, which represented an increase of 13.1%.

The table below shows the operating results of our businesses for the nine months ended 30 September 2005 and the same period last year:

	Nine months ended 30 September	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Phoenix Chinese Channel	259,281	264,635
Phoenix InfoNews Channel	(17,869)	(9,944)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	(46,721)	(39,732)
Other businesses	(5,982)	(3,912)
Corporate overheads	(84,596)	(98,480)
Profit from operations	104,113	112,567

The Group's flagship channel, Phoenix Chinese Channel, accounted for 74.4% of the Group's total revenue for the nine months ended 30 September 2005 and showed a marginal increase of 1.7% as compared with same period last year. However, due to the increase of doubtful debt provisions, operating results decreased by 2.0% to approximately HK\$259,281,000. Performance of Phoenix InfoNews Channel was less satisfactory. Its revenue remained relatively stable, representing 14.9% of the Group's total revenue. Operating costs increased by 6.1%, however, hence operating losses widened to approximately HK\$17,869,000 for the nine months ending 30 September 2005.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased 24.2% as compared to the same period last year to approximately HK\$49,685,000. Due to the increase in operating costs and provision for doubtful debt, operating losses increased to approximately HK\$46,721,000.

Increase of revenues from other businesses was mainly attributable to the growth of some minimal-profit-margin handling income, which made very little contribution to the overall operating result. Programme production and ancillary services turned from last year's small profit situation to this period's breakeven status, mainly due to the increase of operating costs, while the revenues remained steady as compared with same period last year. Performance of both the magazine and internet businesses showed gradual improvement in the period.

BUSINESS OPERATIONS AND PROSPECTS

Phoenix remains at the cutting edge of the Chinese-language television market, producing a varied bouquet of programming that appeals to Chinese-speaking audiences around the world. During this quarter the most spectacular demonstration of Phoenix's innovative style was its sponsorship of the visit to mainland China in September by the veteran Taiwan writer and scholar, Li Ao, whose highly distinctive views on a range of political and cultural issues attracted enormous interest among the Chinese audience. During this quarter Phoenix also conducted the preliminary rounds of the 2005 Miss Chinese Cosmos Pageant, the final of which this year was mounted at Epoch City in Hebei, just outside Beijing, on 29 October. Phoenix has also remained one of the most comprehensive and objective Chinese-language broadcasters of news and information about international political and economic developments.

While the Chinese television market is becoming more competitive as China-based broadcasters begin to develop new styles, the management of the Phoenix Group remains confident that it can identify the challenges created by the changing environment and can respond by developing programming strategies that enable Phoenix to retain its distinctive place with the world-wide Chinese-speaking audience.

LIU, Changle

Chairman

Hong Kong, 9 November 2005



The Directors of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited condensed consolidated income statement, 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 and nine months ended 30 September 2005 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2005, together with the comparative figures for the corresponding period and relevant date in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2005

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue	3	293,070	267,159	883,329	836,026
Operating expenses	20	(206,548)	(195,600)	(603,115)	(607,962)
Selling, general and administrative expenses	20	(55,948)	(37,087)	(176,101)	(115,497)
Other income					
Exchange gain, net		11,213	91	14,180	1,532
Interest income		3,846	1,773	9,856	4,234
Other income, net	13	2,739	1,745	28,564	7,422
Provision for impairment loss in a jointly controlled entity	14	–	–	(472)	–
Share of losses of jointly controlled entities	14	(478)	–	(1,305)	–
Profit before income tax	4	47,894	38,081	154,936	125,755
Income tax expense	5	(6,495)	(968)	(21,533)	(4,814)
Profit for the period		41,399	37,113	133,403	120,941
Attributable to:					
Equity holders of the Company		41,826	36,975	133,581	119,777
Minority interests		(427)	138	(178)	1,164
		41,399	37,113	133,403	120,941
Earnings per share for profit attributable to the equity holders of the Company during the period	7				
Basic earnings per share, Hong Kong cents		0.85	0.75	2.71	2.43
Diluted earnings per share, Hong Kong cents		0.85	0.75	2.70	2.42



CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 30 SEPTEMBER 2005

		As at 30 September 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Purchased programme and film rights, net	12	13,777	18,402
Fixed assets, net	11	48,583	54,869
Property deposit and development costs	13	30,560	62,515
Investments in jointly controlled entities	14	10,195	472
Financial assets at fair value through profit or loss	15	54,793	53,461
Deferred income tax assets		766	30
		158,674	189,749
Current assets			
Accounts receivable, net	8	103,282	98,397
Prepayments, deposits and other receivables	9	399,956	351,005
Inventories	10	5,868	8,751
Amounts due from related companies	20	916	507
Self-produced programmes		9,312	10,652
Purchased programme and film rights, net, current portion	12	5,342	11,665
Profits tax recoverable		–	384
Financial assets at fair value through profit or loss	15	23,323	–
Cash and bank balances		520,180	411,482
		1,068,179	892,843
Total assets		1,226,853	1,082,592



CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED (CONTINUED)

AS AT 30 SEPTEMBER 2005

		As at 30 September 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i> (Audited)
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	493,867	493,680
Reserves		458,297	369,968
		952,164	863,648
Minority interests		6,659	6,837
Total equity		958,823	870,485
Non-current liabilities			
Deferred income tax liabilities		766	30
Current liabilities			
Accounts payable, other payables and accruals		143,887	165,078
Deferred income		99,261	38,914
Amounts due to related companies	20	2,988	8,085
Profits tax payable		21,128	–
		267,264	212,077
Total liabilities		268,030	212,107
Total equity and liabilities		1,226,853	1,082,592
Net current assets		800,915	680,766
Total assets less current liabilities		959,589	870,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

	Attributable to equity holders of the Company					Minority interests HK\$'000	Total HK\$'000 (note 2)
	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated deficits HK\$'000			
At 1 January 2004	493,173	824,839	879	(612,471)	6,103	712,523	
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	772	-	-	772	
Exercise of share options	439	4,247	-	-	-	4,686	
Profit for the period	-	-	-	119,777	1,164	120,941	
At 30 September 2004	<u>493,612</u>	<u>829,086</u>	<u>1,651</u>	<u>(492,694)</u>	<u>7,267</u>	<u>838,922</u>	

	Attributable to equity holders of the Company					Minority interests HK\$'000	Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated deficits HK\$'000			
At 1 January 2005	493,680	829,741	2,204	(461,977)	6,837	870,485	
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	2,361	-	-	2,361	
Exercise of share options	187	1,774	-	-	-	1,961	
Profit for the period	-	-	-	133,581	(178)	133,403	
Dividend paid	-	-	-	(49,387)	-	(49,387)	
At 30 September 2005	<u>493,867</u>	<u>831,515</u>	<u>4,565</u>	<u>(377,783)</u>	<u>6,659</u>	<u>958,823</u>	



CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED*FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005*

	For the nine months ended 30 September 2005 HK\$'000	For the nine months ended 30 September 2004 HK\$'000
Net cash generated from operating activities	181,068	82,037
Net cash used in investing activities	(27,074)	(16,398)
Net cash (used in)/generated from financing activities	(47,426)	4,686
Increase in cash and bank balances	106,568	70,325
Cash and bank balances, beginning of period	411,482	388,869
Effect of foreign exchange rate changes	2,130	532
Cash and bank balances, end of period	<u>520,180</u>	<u>459,726</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

1 General Information

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

The unaudited condensed consolidated financial information has been approved for issue by the Board of Directors on 9 November 2005.

2 Basis of preparation and accounting policies

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standard (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants 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 accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new HKFRSs which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new HKFRSs are set out in the unaudited condensed consolidated financial information for the three months ended 31 March 2005 approved for issue by the Board of Directors on 11 May 2005.

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

The unaudited condensed consolidated financial information has been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing this information.

The unaudited condensed consolidated financial information 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 consolidated financial information in conformity with the new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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 unaudited condensed consolidated financial information include provision for doubtful debts, provision for taxation, provision for asset impairment and fair values of financial assets at fair value through profit or loss.



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 30 September											
	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
External sales	278,577	260,391	1,090	560	2,015	383	11,388	5,825	-	-	293,070	267,159
Inter-segment sales	-	-	5,730	6,337	-	-	-	-	(5,730)	(6,337)	-	-
Total revenue	<u>278,577</u>	<u>260,391</u>	<u>6,820</u>	<u>6,897</u>	<u>2,015</u>	<u>383</u>	<u>11,388</u>	<u>5,825</u>	<u>(5,730)</u>	<u>(6,337)</u>	<u>293,070</u>	<u>267,159</u>
Segment results	69,336	68,208	(915)	396	(2,749)	(2,036)	(2,741)	406	-	-	62,931	66,974
Unallocated expenses, net (Note a)											(15,037)	(28,893)
Profit before income tax											47,894	38,081
Income tax expense											(6,495)	(968)
Profit for the period											<u>41,399</u>	<u>37,113</u>

For the nine months ended 30 September

	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
External sales	838,733	817,378	2,733	2,170	4,503	1,316	37,360	15,162	-	-	883,329	836,026
Inter-segment sales	-	-	18,493	18,010	-	-	-	-	(18,493)	(18,010)	-	-
Total revenue	838,733	817,378	21,226	20,180	4,503	1,316	37,360	15,162	(18,493)	(18,010)	883,329	836,026
Segment results	199,887	220,145	(199)	2,997	(5,244)	(6,744)	(663)	553	-	-	193,781	216,951
Unallocated expenses, net (Note a)											(38,845)	(91,196)
Profit before income tax											154,936	125,755
Income tax expense											(21,533)	(4,814)
Profit for the period											133,403	120,941

Note:

(a) Unallocated expenses, net represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses;
- marketing and advertising expenses that relate to the Group as a whole;
- share of losses of jointly controlled entities; and
- other income/gain.



4 Profit before income tax

Profit before income tax is stated after charging the following:

	Three months ended 30 September		Nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Depreciation of fixed assets	6,679	6,125	19,507	17,899
Amortisation costs of purchased programme and film rights	5,790	5,598	17,108	17,501
Production costs of self-produced programmes	19,314	20,657	65,579	67,337
Transponder rental	3,842	4,208	12,285	12,444
Provision for doubtful debts	20,464	4,520	78,554	18,702
Write-off of inventories	3,257	–	3,257	–
Staff costs, including Directors' emoluments	62,001	53,009	183,281	163,925
Operating lease rental – land and buildings of third parties	4,333	3,254	11,231	9,906

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (nine months ended 30 September 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 unaudited condensed consolidated income statement represents:

	Three months ended 30 September		Nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Current income tax				
– Hong Kong profits tax	6,495	639	21,521	4,470
– Overseas taxes	–	329	12	344
Deferred income tax	–	–	–	–
	<u>6,495</u>	<u>968</u>	<u>21,533</u>	<u>4,814</u>

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fee collected from Shenzhou Television Company Ltd. ("Shenzhou") in the People's Republic of China (the "PRC") (note 9) (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the unaudited condensed consolidated financial information. However, there is a possibility that PRC tax laws and regulations and the interpretations thereof will change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

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

	Three months ended 30 September		Nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Profit before income tax	47,894	38,081	154,936	125,755
Calculated at a taxation rate of 17.5% (three months and nine months ended 30 September 2004: 17.5%)	8,381	6,664	27,114	22,007
Income not subject to taxation	(2,141)	(1,793)	(10,379)	(5,268)
Expenses not deductible for taxation purposes	5,102	2,438	19,103	8,575
Tax losses not recognised	3,104	1,851	7,346	5,140
Utilisation of previously unrecognised tax losses	(7,913)	(8,384)	(21,352)	(25,630)
Others	(38)	192	(299)	(10)
Income tax expense	6,495	968	21,533	4,814

6 Interim dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: nil). Final dividends for the year ended 31 December 2004 of HK\$ 0.01 per share, totally of approximately HK\$ 49,387,000, was paid out during the period.

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 and nine months ended 30 September 2005 of approximately HK\$41,826,000 and HK\$133,581,000, respectively (three months and nine months ended 30 September 2004: HK\$36,975,000 and HK\$119,777,000, respectively).

Earnings per share for the three months and nine months ended 30 September 2005 is based on the 4,938,666,000 and 4,938,231,000 (three months and nine months ended 30 September 2004: 4,936,005,957 and 4,934,469,080) weighted average number of ordinary shares outstanding during the three months and nine months ended 30 September 2005, respectively.

Diluted earnings per share for the three months and nine months ended 30 September 2005 is based on the 4,946,357,000 and 4,950,138,000 (three months and nine months ended 30 September 2004: 4,948,002,884 and 4,947,209,845) ordinary shares which is the weighted average number of ordinary shares in issue during the three months and nine months ended 30 September 2005 plus the weighted average number of 7,691,000 and 11,908,000 (three months and nine months ended 30 September 2004: 11,996,927 and 12,740,765) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.



8 Accounts receivable, net

	As at 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000 (Audited)
0 – 30 days	27,349	23,642
31 – 60 days	26,072	16,280
61 – 90 days	10,802	10,800
91 – 120 days	15,930	13,163
Over 120 days	123,505	72,620
	203,658	136,505
Less: Provision for doubtful debts	(100,376)	(38,108)
	103,282	98,397

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\$318,049,000 (as at 31 December 2004: HK\$314,763,000) owing from Shenzhou, an advertising agent in 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 30 September 2005.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangements such as ours with Shenzhou, therefore the extent of the enforceability of the arrangements 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\$318,049,000 as at 30 September 2005 is fully recoverable and no provision is required.

10 Inventories

	As at 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000 (Audited)
Decoder devices and satellite receivers	<u>5,868</u>	<u>8,751</u>

As at 30 September 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK\$3,446,000 (as at 31 December 2004: Nil).

11 Fixed assets, net

	Nine months ended 30 September 2005 HK\$'000	Year ended 31 December 2004 HK\$'000 (Audited)
Balance, beginning of period/year	54,869	62,607
Additions	13,004	16,761
Exchange differences	232	437
Disposals	(15)	(287)
Depreciation charge	<u>(19,507)</u>	<u>(24,649)</u>
Balance, end of period/year	<u>48,583</u>	<u>54,869</u>

12 Purchased programme and film rights, net

	Nine months ended 30 September 2005 HK\$'000	Year ended 31 December 2004 HK\$'000 (Audited)
Balance, beginning of period/year	30,067	33,392
Additions	9,830	20,414
Amortisation	(17,108)	(23,169)
Write-off	(3,380)	–
Others	<u>(290)</u>	<u>(570)</u>
Balance, end of period/year	19,119	30,067
Less: Purchased programme and film rights – current portion	<u>(5,342)</u>	<u>(11,665)</u>
	<u>13,777</u>	<u>18,402</u>



13 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 was 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. Since 23 September 2003, Phoenix Real Properties Limited ("Real Properties"), a wholly-owned subsidiary of the Group at that time had a 90% equity interest of 深圳鳳凰置業有限公司.

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 "Agreement"). 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 provided to the Group for the due performance of its obligations under the Agreement. Pursuant to the Agreement, Oasiscity will be responsible for providing all required financing for the development of the building and the fulfillment of this obligation has been guaranteed by Neo-China Group (Holdings) Limited. 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 of the building on completion of the development. The carrying value as at 31 December 2004 amounted to approximately HK\$62,515,000, comprising property deposits of approximately HK\$61,120,000 and renovation costs of approximately HK\$1,395,000.

On 12 May 2005, the Group and Oasiscity entered into a supplementary agreement (the "Supplementary Agreement"), pursuant to which the Group transferred its entitlement to 10,000 square meters of the non-saleable area of the building currently under construction to Oasiscity for RMB60,000,000 (equivalent to approximately HK\$55,800,000) payable in 3 installments and Oasiscity would also be allotted an additional 33 shares in Real Properties at par value so that after the allotment Oasiscity should hold approximately 70% interest therein. The Group's entitlement to the relevant portion of the non-saleable area of the building will then be reduced to 10,000 square meters after this transaction. A gain, after providing for estimated taxes, arising from this transfer of approximately HK\$19,299,000 has been recorded in other income, net in the unaudited condensed consolidated income statement for the three months ended 30 June 2005. In addition, the charge on the 30% equity interest owned by Oasiscity granted to the Group under the Agreement was released.

As a result of the Supplementary Agreement, Real Properties issued 33 new shares to Oasiscity on 12 May 2005 and the shareholdings in Real Properties of the Group and Oasiscity are 30% and 70%, respectively, as at 30 September 2005.

The Directors are of the opinion that the Group's entitlement to the non-saleable area on completion of the development is expected to have a value of not less than the current carrying value of approximately HK\$30,560,000 as at 30 September 2005 and that the amount owing from Oasiscity of approximately HK\$38,386,000, included in prepayments, deposits and other receivables, as at 30 September 2005 is fully recoverable and no provision is required.

¹ name translated for reference only

14 Investments in jointly controlled entities

	As at 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000 (Audited)
Unlisted investments, at cost, beginning of the period/year	472	472
Addition on formation of a jointly controlled entity	11,500	—
Unlisted investments, at cost, end of the period/year	11,972	472
Less: provision for impairment loss	(472)	—
Less: share of jointly controlled entities' results		
— losses before taxation	(1,305)	—
— taxation	—	—
Unlisted investments, net, end of the period/year	10,195	472

Details of the jointly controlled entities as at 30 September 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



15 Financial assets at fair value through profit or loss

	As at 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000 (Audited)
Unlisted securities, at fair value	78,116	53,461
Less: Unlisted securities matured within one year	(23,323)	–
	<u>54,793</u>	<u>53,461</u>

The Group's interests in unlisted securities were acquired at a cost of approximately HK\$78,496,000 (as at 31 December 2004: HK\$54,425,000), and had an estimated fair value of approximately HK\$78,116,000 as at 30 September 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\$380,000 has been charged to the unaudited condensed consolidated income statement for the nine months period ended 30 September 2005 (nine months ended 30 September 2004: nil).

16 Share capital

	Nine months ended 30 September 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 (<i>note 17</i>)	<u>1,870,000</u>	<u>187</u>	<u>5,066,000</u>	<u>507</u>
End of period/year	<u>4,938,666,000</u>	<u>493,867</u>	<u>4,936,796,000</u>	<u>493,680</u>

17 Share option schemes

Details of options outstanding as at 30 September 2005 are as follows:

	Number of shares options	
	Pre-IPO Share Option Scheme	Share Option Scheme
As at 1 January 2005	40,972,000	15,970,000
Add: share options granted during the period	–	–
Less: share options exercised during the period	(554,000)	(1,316,000)
Less: share options lapsed during the period	–	(500,000)
As at 30 September 2005	<u>40,418,000</u>	<u>14,154,000</u>

The subscription price per share under the Pre-IPO Share Option Scheme is HK\$1.08. The options granted under the Share Option Scheme can be exercised at prices ranging from HK\$0.79 to HK\$1.99 per share at any time commencing from one year to ten years after the respective dates of grant of the options in accordance with the terms set out in the Annual Report for the year ended 31 December 2004.

Consistent with the application of Hong Kong Financial Reporting Standard 2 – Share-based Payments (“HKFRS 2”) set out in the unaudited condensed consolidated financial information for the three months ended 31 March 2005 approved for issue by the Board of Directors on 11 May 2005, the directors consider the adoption of HKFRS 2 do not have material impact on the unaudited condensed consolidated financial information and accordingly, no adjustments have been recorded to reflect the impact of applying HKFRS 2 in the accompanying unaudited condensed consolidated financial information.

Had the adjustments on application of HKFRS 2 been applied, the Group's opening accumulated deficits at 1 January 2005 would increase by approximately HK\$840,000 (at 1 January 2004: HK\$560,000) in accounting for the previously unrecognised employee share-based compensation expenses. Profit for the three months and nine months ended 30 September 2005 would decrease by approximately HK\$40,000 and HK\$120,000, respectively (three months and nine months ended 30 September 2004: HK\$70,000 and HK\$210,000, respectively).

18 Banking facilities

As at 30 September 2005, the Group had banking facilities amounting to approximately HK\$18,629,000 (as at 31 December 2004: HK\$18,700,000). Unused banking facilities as at the same date amounted to approximately HK\$12,600,000 (as at 31 December 2004: HK\$12,600,000). The facilities are covered by counter indemnities from the Group.

As at 30 September 2005, deposit of approximately HK\$3,629,000 (as at 31 December 2004: HK\$3,700,000) was pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

19 Commitments – Programme and film rights acquisition

As at 30 September 2005, the Group had aggregate outstanding programme and film rights-related commitments of approximately HK\$59,071,000 (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 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000 (Audited)
Not later than one year	20,328	20,343
Later than one year and not later than five years	38,743	54,030
	<u>59,071</u>	<u>74,373</u>



20 Related party transactions

(i) The Group had the following transactions with the related parties, as defined in Hong Kong Accounting Standard 24 – Related Party Disclosures:

	Notes	Three months ended 30 September 2005		Nine months ended 30 September 2005	
		HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	13,586	13,254	40,791	39,622
Commission for advertising sales and marketing services paid/payable to STARL	a, c	–	45	51	440
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	720	669	2,173	2,039
Sales of decoder devices to STARL	a, e	–	–	–	65
Film license fees paid/payable to STAR Filmed	a, f	5,085	5,093	15,281	15,246
Service charges paid/payable to Asia Television Limited ("ATV")	g, h	–	409	28	441
Service charges received/receivable from ATV	g, i	319	326	959	976
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	j, k	814	1,036	2,896	3,213
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	l, m	305	1,266	2,859	3,771
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	n, o	405	567	1,363	1,757
Program license fees to SGL Entertainment Limited ("SGL Entertainment")	a, p	54	1,035	546	1,182
Key management compensation	iii	4,691	4,433	14,076	13,239

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% (nine months ended 30 September 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% (nine months ended 30 September 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 license 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 30 September 2005. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 30th September 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.
- (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 payout 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 license 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 owns 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.
- (q) Purchase of broadcast operations and engineering equipment from STARL are charged based on terms mutually agreed between both parties.

- (ii) Period/year end balances arising from related parties transactions as disclosed in note 20(i) above were as follows:

	As at 30 September 2005 HK\$'000	As at 31 December 2004 HK\$'000
Amounts due from related companies	916	507
Amounts due to related companies	<u>(2,988)</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

	Three months ended 30 September		Nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Salaries	3,115	2,951	9,346	8,813
Quarters and housing allowance	1,265	1,187	3,797	3,545
Pension fund	311	295	933	881
	<u>4,691</u>	<u>4,433</u>	<u>14,076</u>	<u>13,239</u>

21 Events after the balance sheet date

The early call condition of an amount of HK\$15,336,000 non-current Financial assets at fair value through profit and loss was met on the valuation date, 18 October 2005. Such balance was early called by the bank on 31 October 2005.



DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 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) Long positions in the shares of the Company

Name	Ordinary shares				Total number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest	Other interest		
LIU, Changle ¹	-	-	1,854,000,000	-	1,854,000,000	37.54%
LO, Ka Shui ²	3,000,000	-	-	-	3,000,000	0.06%

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 30 September 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 30 September 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	Number of share options				
				Exercise price per share HK\$	Balance as at 1 January 2005	Lapsed during the period	Exercised during the period	Balance as at 30 September 2005
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:					40,972,000	-	(554,000)	40,418,000



During the nine months ended 30 September 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	Number of share options				Balance as at 30 September 2005
				Exercise price per share HK\$	Balance as at 1 January 2005	Lapsed during the period	Exercised during the period	
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)	(952,000)	10,588,000
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: 24 employees					<u>15,970,000</u>	<u>(500,000)</u>	<u>(1,316,000)</u>	<u>14,154,000</u>

During the nine months ended 30 September 2005, 500,000 options granted to an employee lapsed when he ceased his employment with the Group.

During the nine months ended 30 September 2005, 1,316,000 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 nine months ended 30 September 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 IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 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) Long positions of substantial shareholders in the shares of the Company

Name of substantial shareholders	Number of ordinary shares	Percentage of shareholding
Xing Kong Chuan Mei Group Co., Ltd. (Note 1)	1,854,000,000	37.5%
Today's Asia Limited (Note 2)	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 New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC 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 is an indirect wholly-owned subsidiary of News Corporation.

By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty, Limited, News Cayman Holdings Limited, 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) Long positions of other persons in the shares of the Company

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 REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities 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 30 September 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, the substantial shareholders of the Company (as defined under the GEM Listing Rules) or their respective associates have 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 third 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 ("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 report 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).

The Audit Committee has already reviewed the Group's unaudited results for the nine months ended 30 September 2005.

On behalf of the Board

LIU, Changle

Chairman

Hong Kong, 9 November 2005

As at the date of this report, 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: 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.

