Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Half-Yearly Report 2005

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2005 increased to approximately HK$590,259,000, which represented a 3.8% rise over the same period last year.

- The revenue of Phoenix Chinese Channel, which still represents the Group's major revenue driver, rose by 2.7% over the same period last year.

- The profit attributable to equity holders of the Company was approximately HK$91,756,000 which represented a substantial increase of 10.8% as compared to the same period last year, although this growth in profit was mainly due to the disposal of 50% interest in the property to be built in Shenzhen, which generated a one-off gain.

During the first half of 2005 the Phoenix Group consolidated the profit-making formula that it began to implement last year, when Phoenix enjoyed a sizeable profit after three years of loss-making. Given that last year's performance marked a major turn-around in the company's fortunes, the results for the first half of 2005, which saw an increase of 3.8% in the revenue of the Group's core business, represents further evidence of the effectiveness of the new advertising-sales system introduced at the beginning of last year and the continuing appeal of Phoenix programming.

FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 June 2005 remained at last year's impressive level, amounting to approximately HK$590,259,000. This represented an increase of 3.8%, over the same period last year. Advertising revenue, which represented 91.5% of the Group's total revenue, increased by approximately 0.8%.

Operating costs increased by 5.3% over the same period last year to approximately HK$516,720,000. The main factor underlying this increase in operating costs was a provision for doubtful debts. The expenditure required by the Group's core business activities remained relatively stable.

The Group's profit before income tax for the six months ended 30 June 2005 was approximately HK$107,042,000, which showed an increase of 22.1% 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. Profit attributable to equity holders of the Company was approximately HK$91,756,000, which represented an increase of 10.8% as compared with the same period last year. This figure, however, received a major boost from the disposal of 50% of Phoenix's interest in the property to be built in Shenzhen, which represented a one-off gain of approximately HK$19,000,000. This disposal was the consequence of the Company assessing that it would not require as much space as originally thought in Shenzhen in the near future.

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

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**454,197**	442,427
Phoenix InfoNews Channel	**73,310**	89,118
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**32,648**	25,442
Other businesses	**30,104**	11,880
Group's total revenue	**590,259**	568,867
Operating costs	**(516,720)**	(490,772)
Profit from operations	**73,539**	78,095
Profit attributable to equity holders of the Company	**91,756***	82,802
Earnings per share, Hong Kong cents	**1.86**	1.68

* This figure included the one-off gain on disposal of Phoenix's partial interest in Shenzhen property, amounted to approximately HK$19,000,000.

COMMENTS ON SEGMENTAL INFORMATION

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

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**180,405**	180,384
Phoenix InfoNews Channel	**(21,778)**	(5,848)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(32,390)**	(26,336)
Other businesses	**91**	(2,490)
Corporate overheads	**(52,789)**	(67,615)
Profit from operations	**73,539**	78,095

Revenues from television broadcasting, including both advertising and subscription revenues, continue to be the main income source of the Group, and amounted to approximately HK$560,155,000 (six months ended 30 June 2004: HK$556,987,000) or accounted for 94.9% of the Group's revenues for the six months ended 30 June 2005. Compared with the same period last year, revenues from television broadcasting maintained at a steady level with a slight increase of 0.6%.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 76.9% of the Group's total revenue for the six months ended 30 June 2005 and showed an increase of 2.7% as compared with same period last year. On the other hand, performance of Phoenix InfoNews Channel was less satisfactory. Its revenue decreased by 17.7% to approximately HK$73,310,000, and the operating loss was therefore widened to approximately HK$21,778,000 for the six months ended 30 June 2005.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased 28.3% as compared to the same period last year to approximately HK$32,648,000. However, due to the increase in operating costs and provision for doubtful debt, operating loss increased 23.0% to approximately HK$32,390,000.

The overall segmental result for television broadcasting recorded a profit of approximately HK$130,551,000 for the six months ended 30 June 2005. As compared to HK$151,937,000 in the same period last year, there was a decrease of 14.1%.

Revenues from programme production and ancillary services were approximately HK$14,406,000, which included intra-group sales of approximately HK$12,763,000, for the six months ended 30 June 2005, which represented an increase of 8.4% as compared with the same period last year. As a result, the segmental result of programme production and ancillary services recorded a profit of approximately HK$716,000 for the six months period ended 30 June 2005.

Through various cost-reduction schemes, operating costs of the internet business were reduced. The segmental result of the internet operations thereby recorded a loss of approximately HK$2,495,000 for the reported period (six months ended 30 June 2004: a loss of approximately HK$4,707,000), or decreased by 47.0% as compared with same period last year.

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 the Chinese television market, and competition for viewers is becoming increasingly competitive, the Chinese Channel has maintained its leading position by focusing on delivering entertainment and informative programmes that are tailored to the tastes and interests of the Chinese-speaking audience in mainland China and beyond, providing the audience with a viewing experience that is unique and unobtainable from any other source. According to the survey report of satisfaction of Phoenix for the first half of 2005 conducted by CVSC-TNS Research Co., Ltd. (央視市場研究股份有限公司), both the consolidated audience satisfaction and popularity of Phoenix Chinese Channel ranked number 1 for three consecutive 6-month periods since 2004. The Chinese Channel is also developing a suite of new programmes.

Phoenix InfoNews has continued to report in depth on major world developments as well as news from the greater China region. During the final three months of the current period InfoNews carried live the Pope's funeral in the Vatican, and also reported extensively on the appointment of Donald Tsang as the Chief Executive of the Hong Kong Special Administrative Region, the visit to the mainland of the KMT leader and former Taiwan Vice President Lian Chan, and the British election.

InfoNews revenue fails to pass the break-even point, however, and as part of continuing efforts to address that problem the InfoNews management was reorganized in July. InfoNews now has its own separate managerial structure, thus establishing its operational independence from the Chinese Channel and opening the way for InfoNews to expand the variety of its programming and to strengthen its capacity to report on developments in mainland China. Despite continuing to trail the Chinese Channel as a revenue earner, however, InfoNews has a very special place on the mainland, where it is closely watched by policy makers and intellectuals. InfoNews remains the only 24-hours Chinese language news channel available internationally and greatly enhances the Phoenix brand name, underscoring Phoenix's reputation for a global outlook and real-time information.

PROSPECTS

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 generate a profit-making 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 the Group is exploring ways to maximize the income from the new and fresh programming it generates, as well as expand into other profit-making areas.

MANAGEMENT DISCUSSION & ANALYSIS

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Pursuant to an agreement dated 29 October 2003 (the "Agreement") entered into by the Phoenix Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity acquired 60% interest in Phoenix Real Properties Limited ("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 Phoenix Group, under which it charged 30% equity interest in Real Properties, as security for the due performance of its obligations under the Agreement. Pursuant to the Agreement, Oasiscity shall be responsible for providing all required financing for the development of the building and the Phoenix Group is not required to provide any further financing for the development of the building but will be entitled to a portion of the non-saleable area.

On 12 May 2005, the Group and Oasiscity entered into a supplementary agreement, pursuant to which, inter alia, (i) Phoenix shall transfer 10,000 square meters of the building to which Phoenix would be entitled after the completion thereof to Oasiscity at RMB60,000,000 (equivalent to approximately HK$55,800,000) payable by 3 installments and (ii) Oasiscity shall 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 will then be reduced by half. As a result, a gain on disposal of approximately HK$19,299,000 was recorded in the three months ended 30 June 2005.

In addition, upon the fulfillment of Oasiscity's relevant obligations under the Agreement, the 30% equity interest in Real Properties charged as security was released accordingly in May 2005.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2005 were similar to those of the Group as at 30 June 2004. The aggregate outstanding borrowings of the Group as at 30 June 2005 were approximately HK$5,067,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 30 June 2004: HK$8,969,000). Such fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to equity attributable to equity holders of the Company, was 26.9% as at 30 June 2005 (as at 30 June 2004: 28.7%). Accordingly, the financial position of the Group has remained very liquid.

As most of the Group's monetary assets are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and Taiwan dollars, the exchange rate risks of the Group is considered to be minimal. The management considered that the new exchange rate control mechanism for Renminbi adopted in July 2005 does not have any material impact on the Group.

CHARGE ON ASSETS

As at 30 June 2005, deposits of approximately HK$3,599,000 (as at 30 June 2004: HK$3,600,000) were pledged with a bank to secure a guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any charge on its assets as at 30 June 2005 and 30 June 2004.

CAPITAL STRUCTURE

During the six months ended 30 June 2005, other than the exercise of share options granted (detail as per note 16 of the accounts), there is no change in the Company's share capital. As at 30 June 2005, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 30 June 2005, the group employed 670 full-time staff (30 June 2004: 602), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and an employee share option scheme. Staff costs for the six months ended 30 June 2005 increased to approximately HK$121,280,000 (six months ended 30 June 2004: HK$110,915,000).

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

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2005, the Company invested in an unlisted security investment with an estimated fair market value of approximately HK$93,033,000 (six months ended 30 June 2004: 29,986,000).

Save as disclosed above, the Group has not held any significant investment for the six months ended 30 June 2005.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

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

CONTINGENT LIABILITIES

Other than disclosed in note 18 to the half-yearly report, the Group had no material contingent liabilities as at 30 June 2005 and 30 June 2004.

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 six months ended 30 June 2005 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2005, together with the comparative figures for the corresponding period and relevant date in 2004.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 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 30 June 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 June 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:

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share *HK$*	Balance as at 1 January 2005	Lapsed during the period	Exercised during the period	Balance as at 30 June 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: 86 employees					40,972,000	–	(554,000)	40,418,000

During the six months ended 30 June 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:

					Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per share** *HK$*	**Balance as at 1 January 2005**	**Lapsed during the period**	**Exercised during the period**	**Balance as at 30 June 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)	(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					15,970,000	(500,000)	(1,316,000)	14,154,000

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

During the six months ended 30 June 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 six months ended 30 June 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 30 June 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. *(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) 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 *(Note)*	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 30 June 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 half-yearly 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 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).

REPORT ON CORPORATE GOVERNANCE

In line with the increasing regulatory and investor focus on corporate governance standards, the Stock Exchange has issued a new Code on Corporate Governance Practices and Corporate Governance Report (the "Code"). We have embraced the terms of the Code, and combined these with our existing principles and practices – all with the objective of taking forward a corporate governance structure which builds on Phoenix's own standards and experience, whilst respecting the benchmarks set in the Code. We will explain in this Corporate Governance Report where our approach deviates from the Code. Unless otherwise disclosed herein, the Company has complied with the Code throughout the six months ended 30 June 2005.

Distinctive roles of Chairman and Chief Executive Officer

Code Provisions

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. LIU Changle is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group's business. Mr. Liu has been both Chairman and Chief Executive Officer of the Company since its incorporation. The management considered that there is no imminent need to change the arrangement.

Appointments, re-election and removal

Code Provisions

Under the Code, (i) Non-executive directors should be appointed for a specific term, subject to re-election; and (ii) All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and its Reasons

Apart from the Executive Directors, no other directors are currently appointed with specific terms. According to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the Chairman, all directors are subject to retirement by rotation. The management considered that there is no imminent need to amend the Articles of Association of the Company.

Communication with Shareholders

Code Provisions

Under the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation and its Reasons

Whilst the Company endeavours to maintain an on-going dialogue with shareholders, the Chairman may not always be able to attend the annual general meeting due to other important business engagement. Mr. CHUI Keung, an Executive Director, and Mr. Thaddeus Thomas BECZAK, an Independent Non-Executive Director and also Chairman of the Audit Committee, attended the 2005 annual general meeting and were available to answer questions if they were raised at the meeting.

Conclusion

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interests. The management will try our best to maintain, strengthen and improve the standard of the Group's corporate governance.

On behalf of the Board

LIU, Changle
Chairman

Hong Kong, 10 August 2005

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2005

		For the three months ended 30 June		**For the six months ended 30 June**	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**291,230**	284,289	**590,259**	568,867
Operating expenses	20	**(200,837)**	(206,740)	**(396,568)**	(412,362)
Selling, general and administrative expenses	20	**(57,493)**	(37,403)	**(120,152)**	(78,410)
Other income					
Exchange gain, net		**301**	639	**2,967**	1,441
Interest income		**3,335**	1,321	**6,010**	2,461
Other income, net	12	**21,819**	2,323	**25,825**	5,677
Provision for impairment loss in a jointly controlled entity	13	**–**	–	**(472)**	–
Share of losses of jointly controlled entities	13	**(827)**	–	**(827)**	–
Profit before income tax	4	**57,528**	44,429	**107,042**	87,674
Income tax expense	5	**(6,554)**	(1,425)	**(15,037)**	(3,846)
Profit for the period		**50,974**	43,004	**92,005**	83,828
Attributable to:					
Equity holders of the Company		**50,701**	42,327	**91,756**	82,802
Minority interests		**273**	677	**249**	1,026
		50,974	43,004	**92,005**	83,828
Earnings per share for profit attributable to the equity holders of the Company during the period	7				
Basic earnings per share, Hong Kong cents		**1.03**	0.86	**1.86**	1.68
Diluted earnings per share, Hong Kong cents		**1.02**	0.86	**1.85**	1.67

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 30 JUNE 2005

	Note	**As at 30 June 2005 HK$'000**	As at 31 December 2004 HK$'000 (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	11	**16,253**	18,402
Fixed assets, net	10	**51,615**	54,869
Property deposit and development costs	12	**30,560**	62,515
Investments in jointly controlled entities	13	**10,673**	472
Financial assets at fair value through profit or loss	14	**93,033**	53,461
Deferred income tax assets		**820**	30
		202,954	189,749
Current assets			
Accounts receivable, net	8	**91,194**	98,397
Prepayments, deposits and other receivables	9	**397,189**	351,005
Inventories		**9,431**	8,751
Amounts due from related companies	20	**1,096**	507
Self-produced programmes		**9,748**	10,652
Purchased programme and film rights, net, current portion	11	**6,803**	11,665
Profits tax recoverable		**–**	384
Cash and bank balances		**502,992**	411,482
		1,018,453	892,843
Total assets		**1,221,407**	1,082,592
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**493,867**	493,680
Reserves		**463,139**	369,968
		957,006	863,648
Minority interests		**7,086**	6,837
Total equity		**964,092**	870,485
Non-current liabilities			
Deferred income tax liabilities		**820**	30
Current liabilities			
Accounts payable, other payables and accruals	15	**136,844**	165,078
Deferred income		**99,951**	38,914
Amounts due to related companies	20	**5,067**	8,085
Profits tax payable		**14,633**	–
		256,495	212,077
Total liabilities		**257,315**	212,107
Total equity and liabilities		**1,221,407**	1,082,592
Net current assets		**761,958**	680,766
Total assets less current liabilities		**964,912**	870,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Exchange reserve**	**Accumulated deficits**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	–	–	1,198	–	–	1,198
Exercise of share options	376	3,639	–	–	–	4,015
Profit for the period	–	–	–	82,802	1,026	83,828
At 30 June 2004	493,549	828,478	2,077	(529,669)	7,129	801,564

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Exchange reserve**	**Accumulated deficits**	**Minority interests**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'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	**–**	**–**	**(359)**	**–**	**–**	**(359)**
Exercise of share options	**187**	**1,774**	**–**	**–**	**–**	**1,961**
Profit for the period	**–**	**–**	**–**	**91,756**	**249**	**92,005**
At 30 June 2005	**493,867**	**831,515**	**1,845**	**(370,221)**	**7,086**	**964,092**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	For the six months ended 30 June 2005 HK$'000	For the six months ended 30 June 2004 HK$'000
Net cash generated from operating activities	**132,003**	67,690
Net cash used in investing activities	**(42,125)**	(39,903)
Net cash generated from financing activities	**1,961**	4,015
Increase in cash and bank balances	**91,839**	31,802
Cash and bank balances, beginning of period	**411,482**	388,869
Effect of foreign exchange rate changes	**(329)**	856
Cash and bank balances, end of period	**502,992**	421,527

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 10 August 2005.

2 Basis of preparation and accounting policies

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" 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/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("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 interim 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 June											
	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	**278,994**	277,908	**419**	848	**376**	506	**11,441**	5,027	**–**	–	**291,230**	284,289
Inter-segment sales	**–**	–	**6,990**	6,080	**–**	–	**–**	–	**(6,990)**	(6,080)	**–**	–
Total revenue	**278,994**	277,908	**7,409**	6,928	**376**	506	**11,441**	5,027	**(6,990)**	(6,080)	**291,230**	284,289
Segment results	**62,619**	77,950	**717**	1,631	**(783)**	(2,254)	**624**	411	**–**	–	**63,177**	77,738
Unallocated expenses, net *(Note a)*											**(5,649)**	(33,309)
Profit before income tax											**57,528**	44,429
Income tax expense											**(6,554)**	(1,425)
Profit for the period											**50,974**	43,004

	For the six months ended 30 June											
	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	**560,155**	556,987	**1,643**	1,611	**2,488**	933	**25,973**	9,336	**–**	–	**590,259**	568,867
Inter-segment sales	**–**	–	**12,763**	11,674	**–**	–	**–**	–	**(12,763)**	(11,674)	**–**	–
Total revenue	**560,155**	556,987	**14,406**	13,285	**2,488**	933	**25,973**	9,336	**(12,763)**	(11,674)	**590,259**	568,867
Segment results	**130,551**	151,937	**716**	2,600	**(2,495)**	(4,707)	**2,077**	147	**–**	–	**130,849**	149,977
Unallocated expenses, net *(Note a)*											**(23,807)**	(62,303)
Profit before income tax											**107,042**	87,674
Income tax expense											**(15,037)**	(3,846)
Profit for the period											**92,005**	83,828

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 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of fixed assets	**6,468**	5,873	**12,828**	11,775
Amortisation costs of purchased programme and film rights	**5,780**	5,967	**11,318**	11,903
Production costs of self-produced programmes	**24,767**	23,342	**46,267**	46,680
Transponder rental	**4,222**	4,137	**8,443**	8,237
Provision for doubtful debts	**28,976**	2,765	**58,090**	14,183
Staff costs, including Directors' emoluments	**60,291**	54,603	**121,280**	110,915
Operating lease rental – land and buildings of third parties	**3,489**	3,415	**6,897**	6,652

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 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 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current income tax				
– Hong Kong profits tax	**6,548**	1,425	**15,025**	3,831
– Overseas taxes	**6**	–	**12**	15
Deferred income tax	**–**	–	**–**	–
	6,554	1,425	**15,037**	3,846

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 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit before income tax	**57,528**	44,429	**107,042**	87,674
Calculated at a taxation rate of 17.5% (six months ended 30 June 2004: 17.5%)	**10,067**	7,775	**18,732**	15,343
Income not subject to taxation	**(6,180)**	(1,932)	**(8,238)**	(3,809)
Expenses not deductible for taxation purposes	**7,180**	2,263	**14,001**	6,501
Tax losses not recognised	**2,112**	2,009	**4,241**	3,313
Utilisation of previously unrecognised tax losses	**(6,562)**	(8,488)	**(13,439)**	(17,315)
Others	**(63)**	(202)	**(260)**	(187)
Income tax expense	**6,554**	1,425	**15,037**	3,846

6 Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 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 and six months ended 30 June 2005 of approximately HK$50,701,000 and HK$91,756,000, respectively (three months and six months ended 30 June 2004: HK$42,327,000 and HK$82,802,000, respectively).

Earnings per share for the three months and six months ended 30 June 2005 is based on the 4,938,663,000 and 4,938,009,000 (three months and six months ended 30 June 2004: 4,934,832,000 and 4,933,692,000) weighted average number of ordinary shares outstanding during the three months and six months ended 30 June 2005, respectively.

Diluted earnings per share for the three months and six months ended 30 June 2005 is based on the 4,950,948,000 and 4,951,808,000 (three months and six months ended 30 June 2004: 4,949,263,000 and 4,946,815,000) ordinary shares which is the weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2005 plus the weighted average number of 12,285,000 and 13,799,000 (three months and six months ended 30 June 2004: 14,431,000 and 13,123,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8 Accounts receivable, net

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
		(Audited)
0 – 30 days	**21,636**	23,642
31 – 60 days	**18,125**	16,280
61 – 90 days	**13,940**	10,800
91 – 120 days	**13,584**	13,163
Over 120 days	**117,448**	72,620
	184,733	136,505
Less: Provision for doubtful debts	**(93,539)**	(38,108)
	91,194	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$318,196,000 (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 June 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$318,196,000 as at 30 June 2005 is fully recoverable and no provision is required.

10 Fixed assets, net

	Six months ended 30 June 2005 HK$'000	Year ended 31 December 2004 HK$'000 (Audited)
Balance, beginning of period/year	**54,869**	62,607
Additions	**9,604**	16,761
Exchange differences	**(30)**	437
Disposals	**–**	(287)
Depreciation charge	**(12,828)**	(24,649)
Balance, end of period/year	**51,615**	54,869

11 Purchased programme and film rights, net

	Six months ended 30 June 2005 HK$'000	Year ended 31 December 2004 HK$'000 (Audited)
Balance, beginning of period/year	**30,067**	33,392
Additions	**7,809**	20,414
Amortisation	**(11,318)**	(23,169)
Write-off	**(3,381)**	–
Others	**(121)**	(570)
Balance, end of period/year	**23,056**	30,067
Less: Purchased programme and film rights – current portion	**(6,803)**	(11,665)
	16,253	18,402

12 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, 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 "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. According to the Agreement Oasiscity will be responsible for providing all required financing for the development of the building, the fulfillment of such 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 June 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 June 2005 and that the amount owing from Oasiscity of approximately HK$37,200,000 as at 30 June 2005 is fully recoverable and no provision is required.

[1] name translated for reference only

13 Investments in jointly controlled entities

	As at 30 June 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		
– loss before taxation	**(827)**	–
– taxation	**–**	–
Unlisted investments, net, end of the period/year	**10,673**	472

Details of the jointly controlled entities as at 30 June 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咨詢有限公司	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

14 Financial assets at fair value through profit or loss

The Group's interests in unlisted securities were acquired at a cost of approximately HK$93,423,000 (as at 31 December 2004: HK$54,425,000), and had an estimated fair value of approximately HK$93,033,000 as at 30 June 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$390,000 has been charged to the unaudited condensed consolidated income statement for the six months ended 30 June 2005 (six months ended 30 June 2004: nil).

15 Accounts payable, other payables and accruals

	As at 30 June 2005 ***HK$'000***	As at 31 December 2004 *HK$'000* (Audited)
Accounts payable	**12,302**	11,615
Other payables and accruals	**124,542**	153,463
	136,844	165,078

An ageing analysis of accounts payable is set out below:

	As at 30 June 2005 ***HK$'000***	As at 31 December 2004 *HK$'000* (Audited)
0 – 30 days	**6,304**	6,851
31 – 60 days	**2,075**	2,711
61 – 90 days	**266**	468
91 – 120 days	**799**	343
Over 120 days	**2,858**	1,242
	12,302	11,615

16 Share capital

	Six months ended 30 June 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	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period/year	**4,936,796,000**	**493,680**	4,931,730,000	493,173
Exercise of share options *(Note 17)*	**1,870,000**	**187**	5,066,000	507
End of period/year	**4,938,666,000**	**493,867**	4,936,796,000	493,680

17 Share option schemes

Details of options outstanding as at 30 June 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 June 2005	**40,418,000**	14,154,000

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 interim unaudited condensed consolidated financial information and accordingly, no adjustments have been recorded to reflect the impact of applying HKFRS 2 in the accompanying interim 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. Net profit for the three months and six months ended 30 June 2005 would decrease by approximately HK$40,000 and HK$80,000, respectively (three months and six months ended 30 June 2004: HK$70,000 and HK$140,000, respectively).

18 Banking facilities

As at 30 June 2005, the Group had banking facilities amounting to approximately HK$18,599,000 (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 June 2005, deposits of approximately HK$3,599,000 (as at 31 December 2004: HK$3,700,000) were 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 June 2005, the Group had aggregate outstanding programme and film rights-related commitments of approximately HK$64,233,000 (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 June 2005 ***HK$'000***	As at 31 December 2004 *HK$'000* (Audited)
Not later than one year	**20,353**	20,343
Later than one year and not later than five years	**43,880**	54,030
	64,233	74,373

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 June 2005 HK$'000	Three months ended 30 June 2004 HK$'000	Six months ended 30 June 2005 HK$'000	Six months ended 30 June 2004 HK$'000
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**13,783**	13,241	**27,205**	26,368
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**–**	135	**51**	395
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**826**	674	**1,453**	1,370
Sales of decoder devices to STARL	a, e	**–**	36	**–**	65
Film licence fees paid/payable to STAR Filmed	a, f	**5,097**	5,090	**10,196**	10,153
Service charges paid/payable to Asia Television Limited ("ATV")	g, h	**6**	–	**28**	32
Service charges received/receivable from ATV	g, i	**320**	326	**640**	650
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	j, k	**2,018**	1,146	**2,081**	2,177
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	l, m	**1,278**	1,265	**2,554**	2,505
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	n, o	**453**	787	**959**	1,190
Program licence fees to SGL Entertainment Limited ("SGL Entertainment")	a, p	**–**	–	**491**	147
Key management compensation	iii	**4,691**	4,403	**9,385**	8,806

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% (six months ended 30 June 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% (six months ended 30 June 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 30 June 2005. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 30 June 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 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 licence fees to SGL Entertainment are charged based on terms specified in a licence agreement.

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

	As at 30 June 2005 ***HK$'000***	As at 31 December 2004 *HK$'000* (Audited)
Amounts due from related companies	**1,096**	507
Amounts due to related companies	**(5,067)**	(8,085)

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 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries	**3,115**	2,931	**6,231**	5,862
Quarters and housing allowance	**1,265**	1,179	**2,532**	2,358
Pension fund	**311**	293	**622**	586
	4,691	4,403	**9,385**	8,806

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.