Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Half-yearly Report 2001/2002

HIGHLIGHTS

- Phoenix Chinese Channel and Phoenix Movies Channel were respectively the first foreign free-to-air and subscription channels to receive official approval to be distributed through the Pearl River Delta cable system in Guangdong

- Phoenix expanded its access to the American pay-TV market by packaging its North America Chinese Channel together with CCTV-4 and ATV for broadcasting via EchoStar

- Phoenix consolidated its status as the premier Chinese-language news broadcaster by sending a team of reporters to Afghanistan

- Phoenix's place in mainland public opinion was confirmed by a survey that ranked Phoenix fourth among the fifty most respected enterprises in China

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") have pleasure in presenting the unaudited consolidated income statements and statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Phoenix Group", "Phoenix" or "the Group") for the three months and six months ended 31 December 2001 and the consolidated balance sheet of the Phoenix Group as at 31 December 2001, together with the comparative figures for the corresponding periods and relevant date in 2000.

FINANCIAL REVIEW

Revenue of the Phoenix Group for the six months ended 31 December 2001 was approximately HK$328,617,000, which was down by 13.8% as compared with the same period in the previous year. Operating costs increased by 29.0% to approximately HK$406,970,000. For the six months ended 31 December 2001, Phoenix recorded a loss attributable to shareholders of approximately HK$76,391,000, as compared to a profit attributable to shareholders of approximately HK$97,569,000 for the same period last year. Loss per share during the six-month period were approximately 1.55 HK cents. The Board has not recommended any interim dividend.

By a quarter-to-quarter comparison, however, revenue for the three months ended 31 December 2001 grew by a moderate 10.6% when compared with the previous quarter, while operating costs increased by 9.0%.

The Phoenix operating results during this quarter were similar to the preceding quarter, with some minor variations. The additional operating costs of Phoenix Chinese News & Entertainment Channel ("PCNE") after its formal acquisition in November 2001 and seasonal expenditure, led to a marginally lower result than in the previous quarter. Otherwise, our operating costs were relatively stable as compared with the previous quarter.

The table below shows the operating results of this quarter and the previous quarter:

	Three months ended 31 December 2001	Three months ended 30 September 2001
	HK$'000	*HK$'000*
Revenue	**172,595**	156,022
Operating expenses	**(163,528)**	(152,131)
Selling, general and administrative expenses	**(48,692)**	(42,619)
Loss from operations	**(39,625)**	(38,728)

The table below shows the operating profit/(loss) of our businesses for this quarter:

	Three months ended 31 December 2001
	HK$'000
Phoenix Chinese & Movies Channels	**61,061**
Phoenix InfoNews, North America Chinese Channels and PCNE	**(51,756)**
Other businesses	**(5,679)**
Management overheads	**(43,251)**
Loss from operations	**(39,625)**

Phoenix Chinese Channel continues to be the main contributor to Phoenix's cash flow. Advertising revenue from this channel was approximately HK$293,409,000 or accounted for 89.3% of Phoenix's total revenue for the six months ended 31 December 2001. Despite the worldwide economic downturn, advertising revenue of the Chinese Channel increased by approximately 9.9% this quarter as compared to the previous quarter.

Performance of Phoenix Movies Channel and PCNE were relatively stable. Phoenix InfoNews Channel and Phoenix North America Chinese Channel, which had recently passed the first anniversary of their launch and were still in a developmental phase, contributed marginally to Phoenix's revenue.

BUSINESS REVIEW

Television broadcasting

Continuing with its focus on reporting on key international developments, the Phoenix Group built on the success of its highly acclaimed coverage of the terrorist attacks on the United States last September through its in-depth and detailed reportage on the war against terrorism, and especially the situation in Afghanistan itself. Phoenix was the first Chinese media to send a team of journalists to Afghanistan after the US-led coalition began its attack on the Taliban regime. This has served to strengthen Phoenix's reputation as one of the premier news providers in the Chinese-speaking world and thereby assures Phoenix of a substantial audience among the Chinese elite. It was reported on 31 December 2001 by "21 CN Business Herald", an influential weekly newspaper in China, that Phoenix ranked fourth among the fifty most respected enterprises in China according to a survey conducted by a business management case study centre of the Beijing University (Management Case Centre Peking) in 2001.

Phoenix has also expanded its international reach during this period. In November, Phoenix, in cooperation with CCTV-4 and the Hong Kong-based Cantonese broadcaster, ATV, arranged to broadcast a bundle of Chinese-language channels in the United States via EchoStar, the United States' second largest direct-to-home operator, thereby expanding the potential US pay TV market that Phoenix already accesses through DirecTV. The bundle was officially launched in January 2002.

In Europe, the formal acquisition of PCNE, which is based in London and broadcasts to more than 25 European countries, provides a broader perspective to the Phoenix Group's performances outside the Greater China region. PCNE's active reporting from within Europe continues to feed into Phoenix's worldwide coverage of major events in real-time fashion, an example of which was the streaming reportage from Bonn, Germany, throughout the UN conference on Afghanistan in November.

A new travelogue series – the "Pole to Pole Odyssey", which Phoenix is co-producing with CCTV and is now being broadcast daily on the Phoenix Chinese Channel in the evening prime time slot, illustrates the boldness that Phoenix brings to the task of developing original and innovative programming. Phoenix has also expanded the size of a number of news bureaus, in particular New York and Taipei, in order to provide better and stronger news coverage.

Phoenix is currently awaiting the response of the Chinese State Administration of Film, Radio and Television to its application for landing rights in the PRC for its InfoNews Channel similar to those accorded to its Chinese Channel. We are also exploring the implications of the potential change in broadcasting arrangements in the PRC requiring all foreign satellite broadcasters to distribute or redistribute their signals through a centralized satellite platform with secondary encryption. These new arrangements would also require broadcasters to pay a service fee as well as additional signal uplinking charge. The Directors believe that these arrangements will have a modest financial impact on Phoenix.

Phoenix is continuing its effort to secure a license to broadcast its InfoNews Channel in Taiwan.

Business strategy

Phoenix has now entered a phase of strategic consolidation. In October 2001, Phoenix passed a major landmark when Phoenix Chinese Channel became the first free-to-air foreign channel to receive the official approval of the Chinese authorities to be distributed through cable system in the Pearl River Delta area of Guangdong and its Movies Channel became the first foreign subscription channel to be granted official approval in that area. During this period, Phoenix also completed the process of expanding its broadcasting footprint in North America and Europe, which means it is now well positioned to marshal its programming resources to serve better the international Chinese markets outside the Greater China region, without having to incur any further major expenditure and is well placed to build a truly global brand name within the Chinese communities.

We will build on the achievements of these past months, expanding both our audience and our advertising revenue, over the coming year. In addition, we are continuing to review Phoenix's operational structure and seeking ways to rationalise the cost of production and programming. We have integrated the production of our news service combining the news operations of the Chinese Channel and the InfoNews Channel to reduce costs and improve production output.

Prospects

Although the overall economic conditions in the Asia-Pacific region continue to be overshadowed by the recession in Japan and the poor performance of a number of other economies, Phoenix is relatively well positioned to begin to improve its performance over the coming period. We expect that the efforts we have put into rationalising our news programmes will reduce costs.

Phoenix's optimism is also reinforced by the prospect that access to the mainland Chinese audience will gradually expand as a consequence of the continuing process of reform in China. Phoenix's well-established record of producing news and entertainment programmes that have strong audience appeal will ensure that Phoenix is likely to be a major beneficiary of future developments in China as it moves increasingly towards full integration with the international community.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the business objectives as stated in the prospectus of the Company dated 21 June 2000 (the "Prospectus") for the period July – December 2001	Actual business progress for the period July – December, 2001
Channel Development	
• Continue to strengthen coverage and content for the InfoNews Channel	Phoenix was highly acclaimed for its real-time coverage of the terrorist attacks on the United States and its subsequent reporting from Afghanistan. Phoenix has also strengthened its news coverage through its international news bureaus.
• Increase production hours to enhance the programming for the Phoenix Chinese Channel	Phoenix sought to improve the quality of programming while maintaining a similar level of production hours
• Explore the feasibility of and prepare for the launch of the Cantonese Channel	Phoenix has postponed pursuing this objective in order to concentrate resources on improving the quality and coverage of existing channels
• Expand penetration of the North America Channel through alternative delivery medium e.g. by developing DTH platform	Phoenix began in January 2002 to broadcast through EchoStar, the second largest direct-to-home satellite operator in the United States, thereby expanding Phoenix North America Chinese Channel's access to the US audience
• Continue to create brandname awareness of "Phoenix" through various promotional activities	Phoenix has continued to consolidate brand name awareness by a stream of promotional functions launching new programmes or marking cooperative arrangements with other media groups
• Continue to enhance the functions of correspondence stations for the InfoNews Channel in connection with news and information for better content enhancement	Phoenix has eight international news bureaus, their contribution being clearly demonstrated by their role in Phoenix's coverage of the war against terrorism
Internet Strategy	
• Begin to implement broadband services in phases in major cities	Phoenix focused on consolidating its existing www.phoenixtv.com website, no new investment in broadband services or e-commerce was made
• Further explore e-commerce opportunities with business partners	Same as above
• Continue to monitor the market for new trends and technologies	Phoenix monitored new technologies and market trends but made no substantial expenditure
• Selectively invest in key strategic content or solution partners to explore other business opportunities	Phoenix has so far not identified commercially viable investment opportunities but will continue to explore in this area

USE OF PROCEEDS

The Group raised approximately HK$732,588,000 upon the listing of the Company and approximately HK$83,726,000 pursuant to the exercise of an over-allotment option.

Comparison of the use of proceeds as stated in the Prospectus with actual application

The use of proceeds as stated in the Prospectus	Application of proceeds from the initial share offer on 30 June 2000 to 31 December 2001
• approximately HK$260 million for the enhancement of the programme production capability for Phoenix and its content development, including the establishment of a production center in Shenzhen	• approximately HK$16 million for the acquisition of facilities and equipment for the new production centre in Shenzhen • approximately HK$29 million for the deposit and part payment of the land use right in Shenzhen
• approximately HK$185 million for the development of new channels, including the North America Channel, the InfoNews Channel and the Cantonese Channel	• approximately HK$52 million for capital expenditure of the two new channels namely Phoenix InfoNews Channel and Phoenix North America Chinese Channel • approximately HK$213 million for operating expenditure of the two new channels*
• approximately HK$148 million for the development of the www.phoenixtv.com web page into an "Infotainment" vertical Chinese portal, aiming to capitalize on the synergies between Phoenix's television content and the Internet user communities	• approximately HK$8 million for capital expenditure of the web-site • approximately HK$45 million for operating expenditure of the web-site*
• approximately HK$37 million for the development of the Group's magazine, the *Phoenix Weekly*, to be distributed in the PRC	• approximately HK$22 million for operating expenditure of *Phoenix Weekly**
• the balance of approximately HK$109 million for strategic investments and additional general working capital of Phoenix	• the remaining net proceeds have been deposited in licensed banks in Hong Kong and will be used for strategic investments and general working capital

**Note:* Operating expenditures of the two new channels, the web-site and the magazine were partly financed by the income of the Phoenix Group generated during the relevant periods.

During the six months ended 31 December 2001, the Group has incurred the following expenses to achieve the business objectives as set out in the Prospectus:

- Approximately HK$103,000 for acquisition of facilities and equipment for the new production centre in Shenzhen.
- Approximately HK$4,493,000 for capital expenditure of the two new channels, namely Phoenix InfoNews Channel and Phoenix North America Chinese Channel.
- Approximately HK$102,805,000 for operating expenditure of the two new channels.
- Approximately HK$142,000 for capital expenditure on the www.phoenixtv.com web-site.
- Approximately HK$6,388,000 for operating expenditure of the web-site.
- Approximately HK$6,710,000 for operating expenditure of *Phoenix Weekly*.
- The remaining net proceeds have been deposited in licensed banks in Hong Kong.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The acquisition of Phoenix Chinese News & Entertainment Limited ("PCNE") by the Phoenix Group was completed on 1 November 2001 whereby PCNE has become a 70% owned subsidiary of the Phoenix Group. Goodwill arising from the acquisition of PCNE will be subject to amortisation and a periodic assessment of any potential impairment in value.

Other than PCNE, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 December 2001.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, other than the aggregate outstanding borrowings of approximately HK$17,682,000 representing current accounts with related companies which were unsecured and non-interest bearing, the Group did not incur any outstanding secured borrowings nor created any mortgage or charge. Accordingly, the financial position of the Group has been 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 Group did not have any charges on its assets during the period reported. The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 15.9% as at 31 December 2001.

CAPITAL STRUCTURE

During the six months ended 31 December 2001, other than the exercise of share options granted (detail as per Note 7 to the Half-yearly Report – unaudited), there is no change in the Company's share capital. As at 31 December 2001, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 31 December 2001, the Group employed over 500 full-time staff, at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes, discretionary bonus and employee share option scheme.

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.

HALF-YEARLY RESULTS

The Directors of Phoenix Satellite Television Holdings Limited have the pleasure of presenting the unaudited consolidated income statement and statement of cash flows of the Company and its subsidiaries for the three months and six months ended 31 December 2001 (the "period") and the unaudited consolidated balance sheet of the Phoenix Group as at 31 December 2001, together with the comparative figures for the corresponding periods and relevant date in 2000.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2001, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name	Type of interest	Number of ordinary shares
LIU, Changle*	Corporate interests *(Note)*	1,854,000,000
CHEUNG, Chun On Daniel#	Personal interests	110,000

Note: Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn is interested in approximately 37.6% of the issued share capital of the Company as at 31 December 2001.

* Being an Executive Director of the Company.
# Being a Non-Executive Director of the Company.

Save as disclosed herein, as at 31 December 2001, none of the Directors or chief executive of the Company, had any personal, corporate or other interests in the share capital of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company, namely Pre-IPO Share Option Scheme and Share Option Scheme. The summary of the Pre-IPO Share Option Scheme and the Share Option Scheme is set out in Appendix VI of the Prospectus under the section headed "Share Option Schemes".

In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Share Option Scheme, the committee of four Directors established for the administration of the share option schemes (the "Committee") approved certain amendments to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme on 14 February 2001. Such amendments have been pre-approved by the Stock Exchange.

The summary of the revised Share Option Scheme is set out in the Appendix of the Half-yearly Report 2000/2001. Similar amendments for administrative purposes were made to the Pre-IPO Share Option Scheme and paragraphs 7, 11, 12, 13, 14 and 15 set out in the Appendix of the Half-yearly Report 2000/2001 replaced the corresponding paragraphs of the summary of the Pre-IPO Share Option Scheme set out in Appendix VI of the Prospectus.

(1) Pre-IPO Share Option Scheme

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

					Number of share option			
Type and number of grantees	**Date of grant**	**Vesting period**	**Exercise period** *(Note a)*	**Exercise price per share** *HK$*	**Balance as at 1 July 2001**	**Lapsed during the period**	**Exercise during the period**	**Balance as at 31 December 2001**
2 Executive Directors:								
LIU, Changle	14 June 2000	14 June 2000 to 13 June 2010	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 2010	14 June 2001 to 13 June 2010	1.08	3,990,000	-	-	3,990,000
131 other employees	14 June 2000	14 June 2000 to 13 June 2010	14 June 2001 to 13 June 2010	1.08	48,026,000	1,620,000	138,000	46,268,000
Total: 133 employees					57,336,000	1,620,000	138,000	55,578,000

During the period from 1 July 2001 to 31 December 2001, 1,620,000 options granted to 2 employees were lapsed when they ceased their employment with the Phoenix Group. During the same period, 138,000 options have been exercised by 3 employees. The weighted average closing price of the shares of the Company immediately prior to the date on which the options were exercised was HK$1.16.

Save as disclosed above, no options have been exercised, cancelled or lapsed during the period from 1 July 2001 to 31 December 2001.

Save as stated above, no options have 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 Rules Governing the Listing of Securities on the Growth Enterprise Market ("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 Phoenix Group to acquire shares were as follows:

					Number of share option			
Type and number of grantees	Date of grant	Vesting period	Exercise period *(Note a)*	Exercise price per share *HK$*	Balance as at 1 July 2001	Lapsed during the period	Exercise during the period	Balance as at 31 December 2001
2 employees	15 February 2001 (i)	15 February 2001 to 14 February 2011	15 February 2002 to 14 February 2011	1.99	2,900,000	1,200,000	-	1,700,000
21 employees	10 August 2001 (ii)	10 August 2001 to 9 August 2011	10 August 2002 to 9 August 2011	1.13	-	-	-	13,860,000
Total: 23 employees					2,900,000	1,200,000	-	15,560,000

(i) During the period from 1 July 2001 to 31 December 2001, 1,200,000 options granted to 1 employee were lapsed when he ceased employment with the Phoenix Group.

(ii) 13,860,000 options were granted to 21 employees on 10 August 2001. The closing price of the shares of the Company immediately prior to the date on which the options were granted was HK$1.11. Using the Black-Scholes option pricing model (the "Black-Scholes Model") in assessing the value of the options granted, the options would have an aggregate value of approximately HK$8,870,000, representing a value of HK$0.64 per option.

Save as disclosed above, no options have been exercised, cancelled or lapsed during the period from 1 July 2001 to 31 December 2001.

Save as stated above, no options have 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.

Note a: No options may be exercised within 12 months after the date of grant of the options. Details of the time and the percentage of shares comprised in the options that may be exercised are set out in Appendix VI of the Prospectus under the section headed "Share Option Schemes".

In assessing the value of the share options granted during the period from 1 July 2001 to 31 December 2001, the Black-Scholes Model has been used. The Black-Scholes Model is one of the most generally accepted methodology to calculate the value of options and is one of the recommended options pricing models as set out in Rule 23.08 of the GEM Listing Rules. The variables of the Black-Scholes Model include, risk-free interest rate, expected life of the options, and expected volatility and expected dividend of the shares of the Company, if applicable.

The interest rate applied in the Black-Scholes Model is 6.02%, representing the 10-year yield of the Hong Kong Exchange Fund Notes as at the date of grant of the share options (the "Measurement Date"). The volatility ratio of 33.08%, representing the standard deviation of the daily closing share prices of the Company for the last twelve months from the Measurement Date, is used in the Black-Scholes Model. It is assumed that, based on historical pattern, no dividend would be paid out during the vesting period.

The summary of variables used in the Black-Scholes Model for the valuation of 13,860,000 share options granted under the Share Option Scheme during the period from 1 July 2001 to 31 December 2001 and the value thereon is as follows:

Exercise price	HK$1.13
Time to expiry	10 years
Date of grant	10 August 2001
Stock price as at the Measurement Date	HK$1.11
Interest rate as at the Measurement Date	6.02%
Volatility as at the Measurement Date	33.08%
Value of each share option granted as at the Measurement Date	HK$0.64
Aggregate value of 13,860,000 share options granted as at the Measurement Date (value of each share option x number of share options granted)	HK$8,870,000

The summary of the treatment of forfeiture of option prior to the expiry date is set out in Appendix VI of the Prospectus under the section headed “Share Option Schemes”.

It should be noted that the value of options calculated using the Black-Scholes Model is only an estimate of the value of share options granted during the period. Amongst other variables, it uses the time to expiry to determine a value based on the past performance of the share price as measured by the volatility factor. If, however, the Company’s future financial and/or operating performance fluctuates, it is likely that the share price will be affected. In such case, the financial benefit accruing to the grantee of an option will be considerably different from the value determined under the Black-Scholes Model.

PHOENIXi PLAN

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

As at 31 December 2001, no options have 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 Phoenix Group companies, including any Executive Directors, to take up options to subscribe for shares in the Company. 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 Company has applied for a waiver from strict compliance with Rule 23.02(2) of GEM Listing Rules so that the total number of shares available for issue under the options granted may increase up to 30% of the issued share capital of the Company from time to time. Please refer to the paragraph “Share Option Schemes” under the section headed “Waivers from compliance with the GEM Listing Rules and Companies Ordinance” set out in Appendix VI of the Prospectus.

Save as disclosed herein, and other than those in connection with the Phoenix Group reorganisation scheme prior to the Company’s listing of shares, at no time during the period was the Company or any of the companies comprising the Phoenix Group a party to any arrangement to enable the Company’s Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Phoenix Group's business to which the Company or any of the companies comprising the Phoenix Group was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital:

Name	Number of ordinary shares
STAR Television Holdings Limited *(Note 1)*	1,854,000,000
Today's Asia Limited *(Note 2)*	1,854,000,000

Notes:

1. STAR Television Holdings Limited is a wholly-owned subsidiary of STAR Television Limited*, which in turn is owned approximately 75% by News Cayman Holdings Limited and approximately 25% by Newscorp Cayman International Limited**. Newscorp Cayman International Limited is a wholly-owned subsidiary of News Cayman Holdings 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 News Publishers Holdings Pty. Limited, which in turn is a wholly-owned subsidiary of The News Corporation Limited, a listed company in New Zealand, Australia, London and New York.

   By virtue of the SDI Ordinance, The News Corporation Limited, News Publishers Holdings Pty. Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited, Newscorp Cayman International Limited and STAR Television Limited are all deemed to be interested in the 1,854,000,000 shares held by STAR Television Holdings Limited.

   * STAR Television Limited changed its name to STAR Group Limited on 14 January 2002.
   ** Newscorp Cayman International Limited was formerly known as STAR Group Limited and the change of name took place on 3 October 2001.

2. Today's Asia Limited is beneficially owned by Mr. LIU, Changle and Mr. CHAN, Wing Kee as to 93.3% and 6.7% interests, respectively.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's Articles of Association and the law in the Cayman Islands in relation to the issue of new shares by the Company.

PURCHASE, SALE OR REPURCHASE OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's shares during the period.

SPONSORS' INTERESTS

Bank of China Group Investment Limited, beneficially owned by Bank of China, the ultimate holding company of BOCI Asia Limited, indirectly owns the entire issued share capital of China Wise International Limited which in turn owns 412,000,000 shares (approximately 8.35%) of the Company. One of the Non-Executive Directors of the Company, Mr. XU, Gang, who is also a director of Bank of China Group Investment Limited and China Wise International Limited, has been nominated by China Wise International Limited and appointed as a Director of seventeen subsidiaries of the Phoenix Group, namely:

- Phoenix Satellite Television Company Limited
- Phoenix Satellite Television (Chinese Channel) Limited
- Phoenix Satellite Television (Movies) Limited
- Phoenix Satellite Television (Europe) Limited
- Phoenix Satellite Television Trademark Limited
- PCNE Holdings Limited
- Phoenix Chinese News & Entertainment Limited
- Phoenix Satellite Television Information Limited
- Phoenix Satellite Television (B.V.I.) Holding Limited
- Phoenix Satellite Television (InfoNews) Limited
- Phoenix Weekly Magazine (BVI) Limited
- Phoenix Satellite Television Development (BVI) Limited
- Phoenix Satellite Television (Universal) Limited
- Phoenix Satellite Television Development Limited
- Phoenix Satellite Television Investments (BVI) Limited
- Phoenix Glow Limited
- All Lucky Developments Limited

Mr. GONG, Jianzhong, who is a director of China Wise International Limited, has been nominated by China Wise International Limited and appointed as Alternate Director to Mr. XU, Gang of the Company and the above seventeen subsidiaries of the Phoenix Group.

Save as disclosed above, each of BOCI Asia Limited and Merrill Lynch Far East Limited has confirmed:

(i) neither itself nor its associates has, or may have, any interest in any class of securities (including derivatives) of the Company, or any other company within the Phoenix Group (including options or rights to subscribe such securities);

(ii) no Director or employee or their associates of BOCI Asia Limited or Merrill Lynch Far East Limited who are involved in providing advice to the Company has or may have, any interest in any class of securities of the Company or any other company within the Phoenix Group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such Directors or employee pursuant to the Public Offer);

(iii) neither itself nor its associates accrued any material benefit as a result of the successful outcome of the listing of the shares of the Company on the GEM; and

(iv) no Director or employee or their associates of BOCI Asia Limited or Merrill Lynch Far East Limited has a directorship in the Company or any other company within the Phoenix Group.

COMPETING INTERESTS

Today's Asia Limited, STAR Television Holdings Limited and China Wise International Limited have interest in approximately 37.6%, 37.6% and 8.4% of the share capital of the Company respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and CHAN, Wing Kee, STAR Television Holdings Limited and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

STAR Television Holdings Limited, together with its ultimate parent company, The News Corporation Limited ("News Corporation"), are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, the United Kingdom, Australia, Latin America and Asia 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 Television Limited*, the holding company of STAR Television Holdings Limited, owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region. STAR Television Limited and its subsidiaries (including STAR Television Holdings Limited) operate and broadcast a range of channels, such as STAR Movies and STAR Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. The broadcasting coverage of Channel [V] includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East. STAR Television Limited announced on 19 December 2001 that it was granted landing rights for a new 24-hour Mandarin-language general entertainment channel in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Television Limited's wholly-owned subsidiary), China International Television Corporation, Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Television Limited.

Mr. LIU, Changle and Mr. CHAN Wing Kee, who beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, hold, through several intermediate companies at different levels, approximately 14% and 18% of Asia Television Limited, a Hong Kong based television broadcasting company. Asia Television Limited is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audience in Hong Kong, Asia Television Limited broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the People's Republic of China.

* STAR Television Limited changed its name to STAR Group Limited on 14 January 2002.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met regularly to review with management the accounting principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters (including this half-yearly financial statements before recommending them to the Board of the Directors for approval). The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two Independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by the half-yearly report.

By order of the Board
LIU Changle
Chairman

Hong Kong, 6 February 2002

CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 DECEMBER 2001

	Note	**As at 31 December 2001 *$'000***	As at 30 June 2001 *$'000* *(Audited)*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Goodwill	2	**45,856**	–
Fixed assets		**79,889**	79,156
Purchased programme and film rights	3	**31,708**	36,515
Land deposit	4	**29,177**	29,177
Loan to PCNE		**–**	41,093
Total non-current assets		**186,630**	185,941
CURRENT ASSETS			
Cash and bank balances		**543,644**	665,403
Accounts receivable, net	5	**115,747**	122,645
Inventories		**1,659**	372
Prepayments, deposits and other receivables		**215,956**	166,091
Amounts due from related companies	9	**259**	825
Self-produced programmes		**12,205**	11,165
Purchased programme and film rights – current portion	3	**13,239**	10,645
Total current assets		**902,709**	977,146

	Note	As at 31 December 2001 $'000	As at 30 June 2001 $'000 (Audited)
CURRENT LIABILITIES			
Short term bank loan, secured		–	(779)
Accounts payable and accruals	6	**(92,846)**	(80,866)
Deferred income		**(11,681)**	(12,355)
Advertising revenue received in advance		**(12,365)**	(28,462)
Amounts due to related companies	9	**(17,682)**	(17,913)
Profits tax payable		**(5,763)**	(1,356)
Total current liabilities		**(140,337)**	(141,731)
Net current assets		**762,372**	835,415
Total assets less current liabilities		**949,002**	1,021,356
NON-CURRENT LIABILITIES			
Deferred taxation		**(252)**	(252)
Minority interests		**(8,907)**	(5,019)
Total non-current liabilities		**(9,159)**	(5,271)
NET ASSETS		**939,843**	1,016,085
SHAREHOLDERS' EQUITY			
Share capital	7	**493,173**	493,159
Reserves	8	**446,670**	522,926
TOTAL SHAREHOLDERS' EQUITY		**939,843**	1,016,085

CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2001

	Notes	For the three months ended 31 December 2001 $'000	2000 $'000 (Note 17)	For the six months ended 31 December 2001 $'000	2000 $'000 (Note 17)
REVENUE	15	**172,595**	188,989	**328,617**	381,312
OPERATING EXPENSES	9, 15	**(163,528)**	(117,547)	**(315,659)**	(230,551)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9, 15	**(48,692)**	(42,087)	**(91,311)**	(85,011)
(LOSS) PROFIT FROM OPERATIONS		**(39,625)**	29,355	**(78,353)**	65,750
OTHER INCOME/(EXPENSES)					
Amortisation of goodwill	2	**(385)**	–	**(385)**	–
Exchange gain (loss), net		**397**	426	**(119)**	1,189
Interest income, net		**3,619**	13,647	**8,314**	25,246
Other income, net		**452**	1,020	**1,509**	1,813
(LOSS) PROFIT BEFORE TAXATION AND MINORITY INTERESTS	10	**(35,542)**	44,448	**(69,034)**	93,998
TAXATION	11	**(2,307)**	–	**(4,436)**	–
(LOSS) PROFIT BEFORE MINORITY INTERESTS		**(37,849)**	44,448	**(73,470)**	93,998
MINORITY INTERESTS		**(3,661)**	1,735	**(2,921)**	3,571
(LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**(41,510)**	46,183	**(76,391)**	97,569
ACCUMULATED DEFICIT, beginning of period		**(336,659)**	(304,376)	**(301,778)**	(355,762)
		(378,169)	(258,193)	**(378,169)**	(258,193)
DIVIDENDS	12	**–**	–	**–**	–
ACCUMULATED DEFICIT, end of period		**(378,169)**	(258,193)	**(378,169)**	(258,193)
(LOSS) EARNINGS PER SHARE	13	**(0.84 cents)**	1.00 cents	**(1.55 cents)**	2.00 cents
DILUTED (LOSS) EARNINGS PER SHARE	13	**N/A**	N/A	**N/A**	N/A

A separate statement of recognised gains and losses is not presented because there were no recognised gains and losses other than the (loss) profit attributable to shareholders for the periods.

CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

	Note	**For the six months ended 31 December** **2001** **$'000**	2000 *$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(112,375)**	(52,790)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received from bank deposits		**8,352**	25,246
Interest paid		**(38)**	–
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**8,314**	25,246
INVESTING ACTIVITIES			
Purchase of fixed assets		**(9,323)**	(20,081)
Proceeds from disposal of fixed assets		**–**	115
Loan to PCNE		**(11,099)**	(8,367)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(20,422)**	(28,333)
OVERSEAS TAXATION PAID		**(29)**	–
NET CASH OUTFLOW BEFORE FINANCING		**(124,512)**	(55,877)
FINANCING ACTIVITIES			
Capital contributions from minority shareholders		**965**	1,000
Net cash inflow from acquisition of PCNE	14a	**2,418**	–
Proceeds from exercise of share options		**149**	–
Proceeds from over-allotment of shares		**–**	90,621
Over-allotment and public offering expenses paid		**–**	(8,876)
NET CASH INFLOW FROM FINANCING		**3,532**	82,745
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	14b	**(120,980)**	26,868

NOTES TO THE HALF-YEARLY REPORT – UNAUDITED

31 DECEMBER 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. Basis of Preparation and Accounting Policies

These half-yearly financial statements should be read in conjunction with the 2000/2001 annual financial statements and are in compliance with Statement of Standard Accounting Practice Number 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The Company and its subsidiaries are regarded as a continuing entity after the Group Reorganisation. Accordingly, the financial statements of the Phoenix Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Phoenix Group.

The accounting policies adopted by the Phoenix Group are consistent with those followed in the annual financial statements for the year ended 30 June 2001, except for the adoption of certain new accounting standards issued by the HKSA as described below.

In the current period, the Phoenix Group has adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

For the three-month and six-month periods ended 31 December 2001, the adoption of the new SSAPs has no material impact on the reported financial position or results of the Phoenix Group.

On 1 November 2001, the Company indirectly acquired 70% of the share capital of PCNE. The excess of the cost of acquisition over the Phoenix Group's interest in the fair value of the net identifiable liabilities acquired as at the date of the exchange transaction (i.e. acquisition) is recorded as goodwill and recognised as an asset in the balance sheet. The goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of goodwill is computed on a straight-line basis over its expected useful life of 20 years.

2. Goodwill

The Phoenix Group completed its acquisition of PCNE on 1 November 2001 upon signing of the final agreement. PCNE is engaged in the satellite broadcasting of a Chinese channel in Europe.

Prior to the acquisition of PCNE on 1 November 2001, each of Phoenix Satellite Television (Europe) Limited ("PSTL"), a wholly-owned subsidiary of the Company, and Techvast Limited were issued one share of US$1 each at par of a newly established company, PCNE Holdings Limited. On 1 November 2001, pursuant to the acquisition agreement, PCNE Holdings Limited issued 699 new shares of US$1 each to PSTL at a consideration of US$699 and 299 new shares of US$1 each to Techvast Limited in exchange for the entire share capital of PCNE. Consequently, PSTL and Techvast Limited hold 70% and 30% of the issued share capital of PCNE Holdings Limited respectively. PCNE Holdings Limited, in turn, holds 100% of the issued share capital of PCNE.

The excess of the cost of acquisition over the Phoenix Group's interest in the fair value of the net identifiable liabilities acquired as at the date of the acquisition (i.e. 1 November 2001) is recorded as goodwill and is recognised as an asset in the balance sheet. The goodwill of $46,241,000 is amortised on a straight-line basis over its expected useful life of 20 years, subject to a periodic assessment of any potential impairment in value, based on an evaluation of the recoverable amount. Amortisation of goodwill for the three months ended 31 December 2001 was $385,344.

The movement of goodwill for the three months ended 31 December 2001 is as follows:

	For the three months ended 31 December 2001
	$'000
Cost	**46,241**
Less: Amortisation during the period	**(385)**
	45,856

The Directors are of the opinion that the recoverable amount of goodwill is not less than the carrying amount as at 31 December 2001.

3. Purchased Programme and Film Rights

	As at 31 December 2001 $'000	As at 30 June 2001 $'000 (Audited)
Cost	**83,384**	171,727
Accumulated amortisation	**(38,437)**	(124,567)
	44,947	47,160
Less: Purchased programme and film rights – current portion	**(13,239)**	(10,645)
Purchased programme and film rights – non-current portion	**31,708**	36,515

4. Land Deposit

On 11 June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau) to acquire a land use right on a parcel of land situated in Shenzhen, the People's Republic of China (the "PRC"), for the development of premises including a production centre for the Phoenix Group. The total consideration for the acquisition is approximately $57,354,000. Pursuant to the payment terms of the agreement, an amount of approximately $29,177,000 has been paid to the 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau) as the first installment. A final payment of approximately $28,177,000 is to be paid no later than 13 June 2003. The land use right will be granted to the Phoenix Group only upon full and final payment.

5. **Accounts Receivable, Net**

An ageing analysis of accounts receivable is set out below:

	As at 31 December 2001 **$'000**	As at 30 June 2001 $'000 (Audited)
0 – 30 days	**21,621**	39,804
31 – 60 days	**8,661**	18,178
61 – 90 days	**18,439**	14,147
Over 90 days	**116,681**	86,451
	165,402	158,580
Less: Provision for doubtful debts	**(49,655)**	(35,935)
	115,747	122,645

The Phoenix Group generally grants a credit period of 60 days to 120 days to customers, with some customers are required to pay in advance or cash on delivery.

6. **Accounts Payable and Accruals**

Accounts payable and accruals comprise:

	As at 31 December 2001 **$'000**	As at 30 June 2001 $'000 (Audited)
Accounts payable	**19,945**	14,048
Accruals	**72,901**	66,818
	92,846	80,866

An ageing analysis of accounts payable is set out below:

	As at 31 December 2001 **$'000**	As at 30 June 2001 $'000 (Audited)
0 – 30 days	**4,131**	3,815
31 – 60 days	**9,612**	2,087
61 – 90 days	**5**	2,387
Over 90 days	**6,197**	5,759
	19,945	14,048

7. Share Capital

	Six months ended 31 December 2001 Number of shares	Amount $'000	Twelve months ended 30 June 2001 Number of shares	Amount $'000 (Audited)
Issued and fully paid ($0.10 each)				
Beginning of period/year	**4,931,592,000**	**493,159**	4,847,060,000	484,706
Exercise of over-allotment options	**–**	**–**	83,908,000	8,391
Exercise of share options	**138,000**	**14**	624,000	62
End of period/year	**4,931,730,000**	**493,173**	4,931,592,000	493,159

8. Reserves

Movements in reserves of the Phoenix Group during the three-month and six-month periods were as follows:

	Three months ended 31 December			
	2001			2000
	Share premium $'000	**Accumulated deficit $'000**	**Total $'000**	Total $'000
Beginning of the three months period	**824,839**	**(336,659)**	**488,180**	521,426
(Loss) Profit attributable to shareholders	**–**	**(41,510)**	**(41,510)**	46,183
Placements and public offering expenses	**–**	**–**	**–**	(1,589)
End of the three months period	**824,839**	**(378,169)**	**446,670**	566,020

	Six months ended 31 December			
	2001			2000
	Share premium $'000	**Accumulated deficit $'000**	**Total $'000**	Total $'000
Beginning of the six months period	**824,704**	**(301,778)**	**522,926**	395,097
(Loss) Profit attributable to shareholders	**–**	**(76,391)**	**(76,391)**	97,569
Proceeds from exercise of over-allotment option	**–**	**–**	**–**	82,230
Over-allotments, placements and public offering expenses	**–**	**–**	**–**	(8,876)
Exercise of share options	**135**	**–**	**135**	–
End of the six months period	**824,839**	**(378,169)**	**446,670**	566,020

9. Related Party Transactions

As at 31 December 2001, the outstanding balances with related companies were unsecured, non-interest bearing and had no fixed repayment terms.

The Phoenix Group had the following significant transactions with related parties:

		Three months ended 31 December		Six months ended 31 December	
		2001	2000	**2001**	2000
	Notes	***$'000***	*$'000*	***$'000***	*$'000*
Office premises rental paid/payable to Satellite Television Asian Region Limited	a, b	**1,593**	1,897	**3,186**	3,793
Service charges paid/payable to Satellite Television Asian Region Limited	a, c	**34,416**	19,517	**69,415**	39,707
Commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, d	**2,172**	4,660	**3,521**	7,261
Commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, e	**494**	360	**970**	655
Film licence fees paid/payable to Star TV Filmed Entertainment Limited	a, f	**5,101**	5,093	**10,202**	10,192
Programme licence fees paid/payable to other Star TV group companies	a, g	**–**	–	**675**	–
Programme licence fees paid/payable to ATV Enterprises Limited	g, i	**880**	673	**1,105**	4,414
Service charges paid/payable to Asia Television Limited	h, i	**98**	–	**400**	–
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	j, k	**1,007**	–	**2,046**	–
Transponder rental and uplink costs paid/payable to British Sky Broadcasting Limited ("BSkyB")	l, m	**456**	–	**456**	–

Notes:

The Directors have confirmed that all of the above related party transactions have been carried out in the normal course of business of the Phoenix Group.

a. Satellite Television Asian Region Limited, Star TV Filmed Entertainment Limited and other Star TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of STAR Television Holdings Limited, a shareholder of the Company.

b. Office premises rental paid/payable to Satellite Television Asian Region Limited was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by Satellite Television Asian Region Limited in respect of the area occupied by it under its lease with the landlord.

c. Service charges paid/payable to Satellite Television Asian Region Limited cover the following services provided to the Phoenix Group which are charged based on the terms as specified under various service agreements. Either fixed fees or variable fees are charged depending on the type of facilities utilised including the following:

- transponder capacity;
- network;
- broadcast operations and engineering;
- uplink and downlink; and
- general administrative and other support (including access to, and the use of, general office facilities, management information system and commercial traffic).

d. The commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 4% – 20% (2000 – 20%) of the net advertising income generated and received by it on behalf of the Phoenix Group after deducting third party agency fees.

e. The commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 15% (2000 – 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.

f. The film licence fees are charged in accordance with a film rights acquisition agreement with Star TV Filmed Entertainment Limited.

g. The programme licence fees paid/payable to other Star TV group companies and ATV Enterprises Limited are negotiated on a case-by-case basis.

h. Service charges paid/payable to Asia Television Limited cover news footage and data transmission services provided to the Phoenix Group which are charged based on terms mutually agreed upon between the parties.

i. ATV Enterprises Limited is a wholly owned subsidiary of Asia Television Limited which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU, Changle and Mr. CHAN, Wing Kee, indirectly own approximately 14% and 18% respectively of Asia Television Limited as at 31 December 2001.

j. Fox is an associate of STAR Television Holdings Limited.

k. Service charges paid/payable to Fox cover the following services provided to the Phoenix Group which are charged based on the terms specified in a service agreement:

- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;
- leasing of office space; and
- 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 40% owned by The News Corporation Limited, which indirectly owns 100% of STAR Television Holdings Limited.

m. The transponder rental and uplink costs are charged in accordance with the service agreement with BSkyB.

10. (Loss) Profit Before Taxation and Minority Interests

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

	Three months ended 31 December		**Six months ended 31 December**	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Crediting:				
Gain on disposal of fixed assets	**–**	6	**–**	6
Interest income on bank deposits	**3,637**	13,647	**8,352**	25,246
Charging:				
Interest expenses	**(18)**	–	**(38)**	–
Depreciation of fixed assets	**(4,769)**	(1,134)	**(9,162)**	(1,573)
Loss on disposal of fixed assets	**–**	–	**(542)**	–
Programme amortisation costs	**(16,982)**	(12,276)	**(32,780)**	(26,949)
Amortisation of goodwill	**(385)**	–	**(385)**	–

11. Taxation

Taxation in the consolidated income statement consisted of:

	Three months ended 31 December		Six months ended 31 December	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Current taxation				
– Hong Kong profits tax	**2,305**	–	**4,407**	–
– Overseas tax	**2**	–	**29**	–
	2,307	–	**4,436**	–

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

As at 31 December 2001, certain subsidiaries of the Phoenix Group had estimated cumulative tax losses for Hong Kong profits tax purposes which, subject to the agreement of the Inland Revenue Department, can be carried forward indefinitely to offset future taxable profits. The potential deferred tax asset has not been recognised in the financial statements of the Phoenix Group.

12. Interim Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2001 (2000 – nil).

13. (Loss) Earnings Per Share

Loss per share for the three months ended 31 December 2001 is calculated based on consolidated loss attributable to shareholders of $41,510,441 (three months ended 31 December 2000 – profit of $46,182,506) and the 4,931,730,000 (2000 – 4,930,968,000) weighted average number of ordinary shares outstanding during the three months ended 31 December 2001.

Loss per share for the six months ended 31 December 2001 is calculated based on consolidated loss attributable to shareholders of $76,391,346 (six months ended 31 December 2000 – profit of $97,569,015) and the 4,931,688,457 (2000 – 4,921,847,565) weighted average number of ordinary shares outstanding during the six months ended 31 December 2001.

No diluted (loss) earnings per share has been presented as the exercise of the Company's outstanding share options would have no dilutive effect on (loss) earnings per share during the three months and six months ended 31 December 2001 and 2000 respectively.

14. Notes to Consolidated Statement of Cash Flows

a. Acquisition of PCNE

Net liabilities of PCNE acquired as at 1 November 2001:

	$'000
Fixed assets	**1,114**
Current asset:	
Cash and bank balances	**2,418**
Accounts receivable, net	**2,582**
Prepayments, deposits and other receivables	**1,075**
Amounts due from a fellow subsidiary	**2,628**
Purchased programme and film rights	**3,286**
Total current assets	**11,989**
Current liability:	
Accounts payable and accruals	**(5,739)**
Deferred income	**(1,411)**
Total current liabilities	**(7,150)**
Net current assets	**4,839**
Total assets less current liabilities	**5,953**
Amounts due to a fellow subsidiary	**(52,192)**
Net liabilities acquired as at 1 November 2001	**(46,239)**
Consideration	**(2)**
Goodwill on acquisition of PCNE	**46,241**
	46,239
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of PCNE:	
Cash consideration	**–**
Cash and bank balances acquired	**2,418**
Net inflow of cash and cash equivalents in connection with the acquisition of PCNE	**2,418**

b. Analysis of changes in cash and cash equivalents:

	Six months ended 31 December	
	2001	2000
	$'000	*$'000*
Cash and cash equivalents, beginning of the six months period	**664,624**	770,316
(Decrease) Increase in cash and cash equivalents	**(120,980)**	26,868
Cash and cash equivalents, end of the six months period	**543,644**	797,184

15. Segment Information

a. Business segments

For the three months ended 31 December

	Television broadcasting		Ancillary services for program production		Other activities		Elimination		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
REVENUE										
External sales	**168,464**	186,816	**441**	–	**3,690**	2,173	**-**	–	**172,595**	188,989
Inter-segment sales	**-**	–	**4,802**	–	**-**	–	**(4,802)**	–	**-**	–
Total revenue	**168,464**	186,816	**5,243**	–	**3,690**	2,173	**(4,802)**	–	**172,595**	188,989
RESULTS										
Segment results	**9,305**	76,706	**(1,845)**	(2,310)	**(3,834)**	(8,544)	**-**	–	**3,626**	65,852
Unallocated expenses									**(43,251)**	(36,497)
Operating (loss) profit									**(39,625)**	29,355

For the six months ended 31 December

	Television broadcasting		Ancillary services for program production		Other activities		Elimination		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
REVENUE										
External sales	**321,251**	377,779	**993**	–	**6,373**	3,533	**-**	–	**328,617**	381,312
Inter-segment sales	**-**	–	**10,149**	–	**-**	–	**(10,149)**	–	**-**	–
Total revenue	**321,251**	377,779	**11,142**	–	**6,373**	3,533	**(10,149)**	–	**328,617**	381,312
RESULTS										
Segment results	**13,962**	162,777	**(1,453)**	(3,613)	**(8,465)**	(24,757)	**-**	–	**4,044**	134,407
Unallocated expenses									**(82,397)**	(68,657)
Operating (loss) profit									**(78,353)**	65,750

b. Geographical segments

No geographical segment information is presented as during the three months and six months ended 31 December 2001 and 2000, less than 10% of the Phoenix Group's segment revenue and segment results were derived from activities conducted outside the People's Republic of China (including Hong Kong).

16. **Commitments**

a. *Programme and film rights acquisition*

As at 31 December 2001, the Phoenix Group had aggregate outstanding programme and film rights related commitments of approximately $152,336,000 (30 June 2001 – $163,664,000) of which approximately $148,010,000 (30 June 2001- $158,783,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited extending to 27 August 2008 and approximately $4,326,000 (30 June 2001 – $4,881,000) was in respect of other programme acquisition agreements with third parties. Total programme and film rights related commitments are analysed as follows:

	As at 31 December 2001 ***$'000***	As at 30 June 2001 *$'000* *(Audited)*
Total committed purchase costs of programme and film rights and payable:		
– not later than one year	**24,611**	24,559
– later than one year and not later than five years	**90,722**	91,187
– later than five years	**37,003**	47,918
	152,336	163,664

b. *Land use right*

As explained in Note 4, the Phoenix Group has an outstanding commitment to pay approximately $28,177,000 no later than 13 June 2003 in respect of a land use right in Shenzhen, the PRC.

17. **Comparative Figures**

Certain affiliated company charges in 2000 have been reclassified from selling, general and administrative expenses to operating expenses, which conform to the current periods' presentation.