PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8002

HALF-YEARLY REPORT 2008

PHOENIX

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

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- The Phoenix Group turned in a steady performance during the six months ended 30 June 2008, with an increase in revenue and an improved bottom line.

- Revenue for this six-month period was approximately HK$675,177,000, which represented a 21.9% increase over the same period last year.

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 June 2008 was approximately HK$675,177,000, which represented an increase of 21.9% when compared to the same period last year. The two main drivers behind this result were the growth in advertising revenue and technical service revenue. Total operating costs increased by 21.1% to approximately HK$533,859,000. The upward movement in operating costs was mainly due to the increase in commission payments, programming, technical services and staff costs.

The Group's operating profit for the six months ended 30 June 2008 was approximately HK$141,318,000, which represented an increase of 24.9% over same period last year. Profit attributable to equity holders of the Company was approximately HK$173,164,000, which was an increase of 39.7% compared with the same period last year. The operating profit was mainly generated by the increase in advertising revenue and high profit-margin technical service revenue. During the second quarter of 2008, the Group recognized a gain on investments in two subsidiaries, with the Group's interest in the net fair value of the subsidiaries exceeding the cost of the investments to the extent of HK$21,764,000. The appreciation of the Renminbi during the six-month period further boosted the profit attributable to equity holders by approximately HK$23,428,000 (six months ended 30 June 2007: HK$14,000,000).

The chart presented below compares the Group's performance for the current period and the same period last year respectively:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**432,117**	384,268
Phoenix InfoNews Channel	**131,374**	96,182*
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others	**58,599**	36,431*
New media	**27,486**	14,972
Other businesses	**25,601**	22,090*
Group's total revenue	**675,177**	553,943
Operating costs	**(533,859)**	(440,837)*
Profit from operations	**141,318**	113,106
Profit attributable to equity holders of the Company	**173,164**	123,990
Earnings per share, Hong Kong cents	**3.50**	2.51

* *2007 comparative figures have been reclassified to conform to the current quarter's presentation.*

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the operating results of our businesses for the six months ended 30 June 2008 and the same period last year:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**218,625**	199,908
Phoenix InfoNews Channel	**18,454**	1,088*
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others	**(22,743)**	(29,368)*
New media	**9,518**	4,031
Other businesses	**(6,238)**	569*
Corporate overheads	**(76,298)**	(63,122)
Profit from operations	**141,318**	113,106

* *2007 comparative figures have been reclassified to conform to the current quarter's presentation.*

Revenues from television broadcasting, including both advertising and subscription revenues, continued to be the main income source of the Group, and amounted to approximately HK$622,090,000 (six months ended 30 June 2007: HK$516,881,000) and accounted for 92.1% of the Group's revenues for the six months ended 30 June 2008. Compared with the same period last year, revenues from television broadcasting increased by 20.4%.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 64.0% of the Group's total revenue for the six months ended 30 June 2008 and showed an increase of 12.5% compared with same period last year. Phoenix InfoNews Channel's revenue accounted for 19.5% of the Group's total revenue for the period, and increased by 36.6% to approximately HK$131,374,000.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased by 60.8% when compared with the same period last year to approximately HK$58,599,000. The overall segmental result for television broadcasting recorded a profit of approximately HK$212,598,000 for the six months ended 30 June 2008. Compared to a profit of HK$176,938,000 in the same period last year, this result represented an increase of 20.2%. Revenues from intra-group programme production and ancillary services were approximately HK$14,504,000 for the six months ended 30 June 2008, which signified a decrease of 28.6% when compared with the same period last year. As a consequence, the segmental result of programme production and ancillary services recorded a profit of approximately HK$239,000 for the six months period ended 30 June 2008 (six months ended 30 June 2007: HK$666,000).

The revenue from new media operations increased to approximately HK$27,486,000, which was mainly generated by technical services provided to a cooperation partner in the new media venture. As a consequence, the segmental result of the new media operations recorded a profit of approximately HK$10,092,000 for the reported period (six months ended 30 June 2007: HK$4,151,000).

During the six months ended 30 June 2008, the Group captured the preliminary expenses of the outdoor advertising business, and as a result, the loss from operations of other business increased to HK$6,238,000 from a profit of HK$569,000 for the same period last year.

BUSINESS OVERVIEW AND PROSPECTS

The six-month period ended 30 June 2008 reaffirmed that the Phoenix Group's television business continues to perform well. While the Chinese television environment has evolved as local television broadcasters seek to borrow ideas from the Phoenix model, the performance of both the Phoenix Chinese Channel and InfoNews Channel demonstrate that the Group's television business remains vibrant and attractive to the world-wide Mandarin Chinese-speaking audience.

The Phoenix Chinese Channel continued to improve its financial performance, but the increase in the revenue earned by the InfoNews Channel underscored that the demand for real-time news among the Chinese audience is growing ever larger. InfoNews Channel provided extensive coverage of the presidential change-over in Taiwan, and interviewed the new President, Ma Ying-jeou after his inauguration in May and monitored the growing contacts between Taiwan and the mainland. InfoNews Channel also followed the continuing progress of the six-party talks on the denuclearization of North Korea, and international concern about the nuclear developments in Iran.

During this period Phoenix news programmes also carried extensive coverage of the tragic earthquake in Sichuan, with a substantial number of Phoenix reporters traveling to Sichuan to report directly on the consequences of the earthquake.

Besides the improving financial performance of InfoNews Channel, the cumulative income of the Phoenix Movies Channel, Phoenix North America Channel, and Phoenix News and Entertainment Channel grew by more than 60 percent, demonstrating that these channels have the potential over time to improve their financial circumstances and eventually make a positive contribution to the Group's income.

The Group has also been expanding into other areas of operation, including new media and the outdoor advertising business. While at present these businesses are either generating little income or operating at a loss, they are in an early stage of development, and show every sign of extending the Group's financial base as they become more established.

The overall performance of the Group during this six-month period confirms that the Group's business model is well-based and that the Group is operating in a sound and well-focused manner, which underscores that Phoenix continues to have promising long-term prospects.

MANAGEMENT DISCUSSION & ANALYSIS

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 27 May 2008, Hong Kong Phoenix Satellite Television Limited entered into a new agreement with 北京廣播公司 (Beijing Broadcasting Company[1]), 北京同步廣告傳播有限公司 (Beijing Simulcast Communication Co. Ltd[1]) and UPB International Media Limited which supersedes the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix Satellite Television Limited shall additionally inject RMB12,000,000 and then become owner of 41.57% of the registered capital of the joint venture. The Beijing Simulcast project will enable Phoenix to engage in the provision of services to facilitate the organization and planning of radio programs and advertising in those programs in China. As of 30 June 2008, the additional capital contribution had not been made by the Group.

On 22 June 2007, Phoenix Satellite Television Company Limited entered into an agreement with Regal Fame Investments Limited ("Regal Fame") to form a joint venture named Phoenix Metropolis Media Company Limited ("Phoenix Metropolis Media"). Phoenix Metropolis Media engages in the outdoor advertising and related business activities. Pursuant to the agreement, the Group injected HK$35,000,000 for a 75% shareholding in Phoenix Metropolis Media in July 2007. The shareholders of Phoenix Metropolis Media by written resolutions dated 8 April 2008 resolved to increase the capital contribution into Phoenix Metropolis Media from HK$70,000,000 to HK$157,000,000 in order to expand the investment in the outdoor media business in the PRC. Out of the increase in capital contribution of HK$87,000,000 into Phoenix Metropolis Media, the Group shall in aggregate contribute HK$57,750,000 and Regal Fame shall in aggregate contribute HK$29,250,000. As of 30 June 2008, the total additional capital injection of HK$87,000,000 had been paid up by the Group and Regal Fame.

On 27 June 2007, the Group entered into the capital increase contract pursuant to which Phoenix Pictures Limited has conditionally agreed to subscribe for 50% of the enlarged registered capital of 鳳凰東方（北京）置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited[1]) ("Phoenix Oriental"). The parties agree that the registered capital of Phoenix Oriental shall be increased from RMB10,000,000 to RMB300,000,000. 50% of the enlarged registered capital, amounting to RMB150,000,000 shall be contributed by Phoenix Pictures Limited on the satisfaction of the conditions stated in the capital increase contract. The main purpose of Phoenix Oriental is to construct a building in Beijing that will provide the locations for the production of a wide array of Phoenix programming and at the same time generate opportunities for other sources of commercial income. As of 30 June 2008, the capital contribution had been made by the Group.

Save as disclosed above, the Group has not made any significant investment for the six months ended 30 June 2008.

1 Name translated for reference only.

RELOCATION OF COMPANY HEADQUARTERS

The Company is continuing to prepare to relocate the Phoenix headquarters to Taipo in the New Territories, which should take place some time within the next six months. The process of relocation shall involve additional operating expenditure, but this expenditure will only be transitional in character and will not represent a permanent drain on the Company's resources.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2008 were similar to those of the Group as at 30 June 2007. The aggregate outstanding borrowings of the Group as at 30 June 2008 were approximately HK$3,811,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 30 June 2007: HK$2,020,000). 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 27.9% as at 30 June 2008 (as at 30 June 2007: 30.1%). 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.

CHARGE ON ASSETS

As at 30 June 2008, deposits of approximately HK$3,924,000 (as at 30 June 2007: HK$3,928,000) 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 2008 and 30 June 2007.

CAPITAL STRUCTURE

During the six months ended 30 June 2008, other than the exercise of share options granted (detail as per note 17 of the financial statements), there is no change in the Company's share capital. As at 30 June 2008, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 30 June 2008, the Group employed 854 full-time staff (30 June 2007: 786), 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 2008 increased to approximately HK$166,677,000 (six months ended 30 June 2007: HK$141,253,000).

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 2008, the Company invested in unlisted security investments with an estimated fair market value of approximately HK$62,857,000 (six months ended 30 June 2007: HK$63,987,000).

Save as disclosed above, the Group has not held any significant investment for the six months ended 30 June 2008.

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 19 of the financial statements, the Group had no material contingent liabilities as at 30 June 2008 and 30 June 2007.

The directors (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 six months ended 30 June 2008 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008, together with the comparative figures for the corresponding period and relevant date in 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be 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 such Director or chief executive was 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 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 to be notified to the Company and the Stock Exchange, were as follows:

(1) Shares

	Number of ordinary shares held				
Name	**Personal/ other interest**	**Corporate interest**	**Total number of shares**	**Position**	**Percentage of shareholding**
LIU Changle *(Note 1)*	–	1,854,000,000	1,854,000,000	Long	37.42%
LO Ka Shui *(Note 2)*	4,630,000	–	4,630,000	Long	0.09%

Notes:

1 As at 30 June 2008, Mr. LIU Changle was the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.42% of the issued share capital of the Company.

2 As at 30 June 2008, Dr. LO Ka Shui was the beneficial owner of 500,000 shares while 4,130,000 shares were held for a discretionary trust of which Dr. LO Ka Shui was the founder.

(2) Share options

Name of Director	Date of grant	Exercise period	Exercise price per share *HK$*	Underlying shares pursuant to the share options as at 30 June 2008
LIU Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000
CHUI Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000
WANG Ji Yan	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000

Save as disclosed above, so far as the Directors aware, as at 30 June 2008, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required 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 the Director or chief executive was 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 Post-IPO Share Option Scheme. In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Post-IPO 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 Post-IPO 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 were as follows:

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercised price per share *HK$*	Balance as at 1 January 2008	Lapsed during the period	Exercised during the period	Balance as at 30 June 2008
3 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
WANG Ji Yan	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
52 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	18,910,000	–	(3,990,000)	14,920,000
Total: 55 employees					32,210,000	–	(3,990,000)	28,220,000

During the six months ended 30 June 2008, 3,990,000 options granted to an employee were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.67.

Save as disclosed above, no other option had been granted, lapsed or cancelled during the period.

During the six months ended 30 June 2008, 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 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) *Post-IPO Share Option Scheme*

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

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercised price per share *HK$*	Number of share options: Balance as at 1 January 2008	Lapsed during the period	Exercised during the period	Balance as at 30 June 2008
1 employee	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	500,000	–	–	500,000
14 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	6,210,000	–	–	6,210,000
2 employees	20 December 2002	20 December 2002 to 19 December 2006	20 December 2003 to 19 December 2012	0.79	1,000,000	–	–	1,000,000
31 employees	26 March 2007	26 March 2007 to 25 March 2011	26 March 2008 to 25 March 2017	1.45	12,422,000	(266,000)	–	12,156,000
Total: 48 employees					20,132,000	(266,000)	–	19,866,000

During the six months ended 30 June 2008, 266,000 options granted to an employee lapsed when she ceased employment with the Group.

Save as disclosed above, no option had been granted, exercised or cancelled during the period.

During the six months ended 30 June 2008, 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 Post-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 Post-IPO Share Option Scheme.

(B) Share option schemes of the subsidiaries of the Company

(1) 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").

As at 30 June 2008, no option had been granted under the PHOENIXi Plan. PHOENIXi is currently undergoing a liquidation process.

(2) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme of Phoenix New Media Limited ("PNM Share Option Scheme"), a wholly-owned subsidiary of the Company.

As at 30 June 2008, no option had been granted under the PNM Share Option Scheme.

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 must not exceed 10% of the issued share capital of the Company. The terms of the Pre-IPO Share Option Scheme were amended on 14 February 2001 and 10 December 2004 and the terms of the Post-IPO Share Option Scheme were amended on 14 February 2001, 6 August 2002 and 10 December 2004, respectively. A summary of the amended share option schemes is set out in the section headed "Share Option Schemes" of the annual report of the Company for the year ended 31 December 2007.

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, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2008, so far as is known to the Directors and the chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO:

(i) Long positions of substantial shareholders in the ordinary shares of the Company

Name of substantial shareholder	Number of shares	Percentage of shareholding
Today's Asia Limited *(Note 1)*	1,854,000,000	37.42%
Extra Step Investments Limited *(Note 2)*	983,000,000	19.84%
Xing Kong Chuan Mei Group Co., Ltd. *(Note 3)*	871,000,000	17.58%

Notes:

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

2. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited which in turn is a subsidiary of China Mobile Communications Corporation. By virtue of the SFO, China Mobile Communications Corporation and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 shares held by Extra Step Investments Limited.

3. 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 direct wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is an indirect 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 and STAR Group Limited are all deemed to be interested in the 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd..

(ii) Long position of other person in the ordinary shares of the Company

Name of other person who has more than 5% interest	Number of shares	Percentage of shareholding
China Wise International Limited *(Note)*	412,000,000	8.32%

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 subsidiary of Central SAFE Investments Limited. By virtue of the SFO, Central SAFE Investments Limited, Bank of China 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, as at 30 June 2008, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who had an interest or a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's article of association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPETING BUSINESS

Today's Asia Limited has interests in approximately 37.42%, of the share capital of the Company. Today's Asia Limited, together with its shareholder, Mr. LIU Changle, are deemed to be the management shareholders of the Company as defined under the GEM Listing Rules.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited. Vital Media Holdings Limited holds 100% of Dragon Viceroy Limited which in turn beneficially holds approximately 26.85% of Asia Television Limited ("ATV"), a Hong Kong based television broadcasting company. 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 People's Republic of China (the "PRC"). In August 2002, ATV received the approval from the authorities in the PRC to broadcast its Home and World channels through the cable system in the Pearl Delta of Guangdong. ATV was also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license. Commencing from 31 December 2007, in addition to the two channels mentioned in the foregoing, ATV launched six digital channels including one CCTV 4 Channel.

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

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 had no sponsor since 1 July 2002. Accordingly, no additional disclosure is made.

ADVANCES TO AN ENTITY

Details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets, as defined in rules 17.14 of the GEM Listing Rules, are set out in Note 9 to the financial statements.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company adopted its own code on corporate governance on 26 December 2005, which combined its existing principles and practices with most of the mandatory provisions of the Code on Corporate Governance Practices issued by the Stock Exchange (the "Code") – 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.

Unless otherwise disclosed herein, the Company has, throughout the six months ended 30 June 2008, complied with the Code.

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 has been both the chairman and chief executive officer of the Company since its incorporation. He is responsible for managing the board of Directors (the "Board") and the businesses of the Group. The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the audit committee of the Company ("Audit Committee"), balance of power and authority can be ensured and 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 the 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 two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Director is 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, but the chairman of the Board and/or the managing director 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 Board considers that there is no imminent need to amend the articles of association of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings regarding directors' securities transactions throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions of the Code. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-year reports and quarterly reports and to provide advices and comments thereon to the Board. The Audit Committee will meet at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Mr. LAU Yu Leung, John and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim, and Mr. Thaddeus Thomas BECZAK (chairman of the Audit Committee).

The Audit Committee has already reviewed the Group's unaudited results for the six months ended 30 June 2008.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 5 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		For the three months ended 30 June		For the six months ended 30 June	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Note 22)		*(Note 22)*
Revenue	3	**343,043**	291,446	**675,177**	553,943
Operating expenses	4, 20	**(226,873)**	(194,686)	**(462,242)**	(387,482)
Selling, general and administrative expenses	4, 20	**(35,007)**	(25,374)	**(71,617)**	(53,355)
Other income					
Interest income		**3,982**	6,535	**7,520**	12,586
Other gains – net	16	**36,319**	10,902	**49,630**	24,378
Share of (losses)/profits of jointly controlled entities		**(361)**	245	**(920)**	(113)
Profit before income tax	4	**121,103**	89,068	**197,548**	149,957
Income tax expense	5	**(14,960)**	(14,022)	**(28,232)**	(24,323)
Profit for the period		**106,143**	75,046	**169,316**	125,634
Attributable to:					
Equity holders of the Company		**108,378**	71,799	**173,164**	123,990
Minority interests		**(2,235)**	3,247	**(3,848)**	1,644
		106,143	75,046	**169,316**	125,634
Earnings per share for profit attributable to the equity holders of the Company during the period					
Basic earnings per share, *Hong Kong cents*	7	**2.19**	1.45	**3.50**	2.51
Diluted earnings per share, *Hong Kong cents*	7	**2.19**	1.45	**3.49**	2.50

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 30 JUNE 2008

	Note	**As at 30 June 2008** *HK$'000*	As at 31 December 2007 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	10	**17,649**	17,823
Lease premium for land	11	**369,357**	132,810
Property, plant and equipment, net	12	**334,983**	248,951
Intangible assets		**4,225**	2,705
Investments in jointly controlled entities	13	**7,364**	8,283
Available-for-sale financial assets		**962**	962
Financial assets at fair value through profit or loss	14	**26,905**	39,757
Prepayment for long term assets		**24,467**	–
Deferred income tax assets		**7,008**	8,272
		792,920	459,563
Current assets			
Accounts receivable, net	8	**44,668**	25,666
Prepayments, deposits and other receivables	9	**551,305**	449,551
Inventories		**4,794**	4,585
Amounts due from related companies	20	**6,738**	3,840
Self-produced programmes		**1,486**	1,050
Purchased programme and film rights, net	10	**3,754**	2,889
Financial assets at fair value through profit or loss	14	**35,952**	36,881
Loans and receivables		**123,639**	120,260
Cash and cash equivalents		**556,395**	531,257
		1,328,731	1,175,979
Total assets		**2,121,651**	1,635,542

	Note	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**495,441**	495,042
Reserves		**987,414**	890,323
		1,482,855	1,385,365
Minority interests		**225,266**	24,424
Total equity		**1,708,121**	1,409,789
LIABILITIES			
Non-current liabilities			
Provision for asset retirement reinstatement		**5,027**	4,912
Deferred income tax liabilities		**13,615**	5,908
		18,642	10,820
Current liabilities			
Accounts payable, other payables and accruals	15	**120,007**	106,736
Deferred income		**231,496**	95,365
Amounts due to related companies	20	**3,811**	3,506
Profits tax payable		**39,574**	9,326
		394,888	214,933
Total liabilities		**413,530**	225,753
Total equity and liabilities		**2,121,651**	1,635,542
Net current assets		**933,843**	961,046
Total assets less current liabilities		**1,726,763**	1,420,609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to the Company's equity holders						
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Employee share-based payment reserve *HK$'000*	Accumulated deficit *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2007	494,213	726,217	7,229	–	(68,110)	7,139	1,166,688
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	2,984	–	–	–	2,984
Exercise of share options	390	3,817	–	–	–	–	4,207
Dividend related to 2006	–	(69,243)	–	–	–	–	(69,243)
Profit for the period	–	–	–	–	123,990	1,644	125,634
Employee share-based payment	–	–	–	665	–	–	665
Balance at 30 June 2007	494,603	660,791	10,213	665	55,880	8,783	1,230,935

	Attributable to the Company's equity holders							
	Share capital ***HK$'000***	**Share premium** ***HK$'000***	**Statutory reserve** ***HK$'000*** *(Note)*	**Exchange reserve** ***HK$'000***	**Employee share-based payment reserve** ***HK$'000***	**Retained earnings** ***HK$'000***	**Minority interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 1 January 2008	**495,042**	**665,113**	**3,612**	**12,694**	**1,877**	**207,027**	**24,424**	**1,409,789**
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**–**	**–**	**8,328**	**–**	**–**	**–**	**8,328**
Exercise of share options	**399**	**3,910**	**–**	**–**	**–**	**–**	**–**	**4,309**
Dividend related to 2007	**–**	**(89,179)**	**–**	**–**	**–**	**–**	**–**	**(89,179)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**173,164**	**(3,848)**	**169,316**
Employee share-based payment	**–**	**–**	**–**	**–**	**868**	**–**	**–**	**868**
Investment in subsidiaries by minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**204,690**	**204,690**
Balance at 30 June 2008	**495,441**	**579,844**	**3,612**	**21,022**	**2,745**	**380,191**	**225,266**	**1,708,121**

Note: The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Net cash generated from operating activities	**269,601**	88,615
Net cash used in investing activities	**(359,520)**	(81,465)
Net cash generated from/(used in) financing activities	**107,956**	(65,036)
Net increase/(decrease) in cash and cash equivalents	**18,037**	(57,886)
Cash and cash equivalents at beginning of period	**531,257**	543,417
Exchange gains on cash and cash equivalents	**7,101**	2,602
Cash and cash equivalents at end of period	**556,395**	488,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1 General information

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

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors of the Company on 5 August 2008.

2 Basis of preparation and accounting policies

(a) Basis of preparation

The unaudited condensed consolidated interim financial information for the half-year ended 30 June 2008 of Phoenix Satellite Television Holdings Limited 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 ("HKICPA") 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.

These unaudited condensed consolidated financial statements have been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards ("HKFRS") standards and interpretations of HKAS (together "HKFRSs") issued and effective as at the time of preparing these financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2007.

(b) Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions' (effective from 1 March 2007). HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. As the Group does not have any share-based transactions involving treasury shares, HK(IFRIC) – Int 11 is not relevant to the Group's operations.

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. As none of the Group's companies provide public sector services, HK(IFRIC) – Int 12 is not relevant to the Group's operations.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As the Group operates only a defined contribution scheme, HK(IFRIC) – Int 14 is not relevant to the Group's operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. As the Group does not have any borrowings, HKAS 23 (Amendment) does not have any impact to the Group.

- HKFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009, Management is assessing the impact of changes to vesting conditions and cancellations on the Group's Post IPO share Option Scheme.

- HKFRS 3 (Amendment), 'Business combinations and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- HKAS 1 (Amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- HKAS 32 (Amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this amendment.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. As none of the Group's companies operate any loyalty programmes, HK(IFRIC) – Int 13 is not relevant to the Group's operations.

3 Segmental information

At 30 June 2008, the Group is organised into four main business segments including:

(i) Television broadcasting – broadcasting of television programmes and commercials and provision of promotion activities;

(ii) Programme production and ancillary services;

(iii) New media – provision of website portal and value-added telecommunication services; 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		New media		Other activities		Inter-segment elimination		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Note 22)						*(Note 22)*				*(Note 22)*
Revenue												
External sales	**317,995**	263,939	**–**	5,268	**12,444**	14,445	**12,604**	7,794	**–**	–	**343,043**	291,446
Inter-segment sales	**–**	–	**6,397**	10,689	**–**	–	**–**	55	**(6,397)**	(10,744)	**–**	–
Total revenue	**317,995**	263,939	**6,397**	15,957	**12,444**	14,445	**12,604**	7,849	**(6,397)**	(10,744)	**343,043**	291,446
Segment results	**117,426**	94,645	**130**	1,679	**4,703**	8,141	**(2,062)**	313	**–**	–	**120,197**	104,778
Unallocated income *(Note a)*											**36,998**	15,385
Unallocated expenses *(Note b)*											**(35,731)**	(31,340)
Profit before share of results of jointly controlled entities, income tax and minority interests											**121,464**	88,823
Share of (losses)/profits of jointly controlled entities											**(361)**	245
Income tax expense											**(14,960)**	(14,022)
Profit for the period											**106,143**	75,046
Minority interests											**2,235**	(3,247)
Profit attributable to equity holders of the Company											**108,378**	71,799

	For the six months ended 30 June											
	Television broadcasting		Programme production and ancillary services		New media		Other activities		Inter-segment elimination		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* *(Note 22)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(Note 22)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(Note 22)*
Revenue												
External sales	**622,090**	516,677	**–**	5,327	**27,486**	14,972	**25,601**	16,967	**–**	–	**675,177**	553,943
Inter-segment sales	**–**	204	**14,504**	14,992	**–**	–	**–**	98	**(14,504)**	(15,294)	**–**	–
Total revenue	**622,090**	516,881	**14,504**	20,319	**27,486**	14,972	**25,601**	17,065	**(14,504)**	(15,294)	**675,177**	553,943
Segment results	**212,598**	176,938	**239**	666	**10,092**	4,151	**(5,521)**	810	**–**	–	**217,408**	182,565
Unallocated income *(Note a)*											**57,358**	30,627
Unallocated expenses *(Note b)*											**(76,298)**	(63,122)
Profit before share of results of jointly controlled entities, income tax and minority interests											**198,468**	150,070
Share of losses of jointly controlled entities											**(920)**	(113)
Income tax expense											**(28,232)**	(24,323)
Profit for the period											**169,316**	125,634
Minority interests											**3,848**	(1,644)
Profit attributable to equity holders of the Company											**173,164**	123,990

Notes:

(a) Unallocated income represents income recognised on additional capital injection into a subsidiary with another third party investor to undertake the outdoor media business (Note 16(a)), income recognised on the acquisition of a subsidiary (Note 16(b)) and other gains such as exchange gain, interest income, fair value gain on financial assets and liabilities (realised and unrealised).

(b) Unallocated expenses represent primarily:

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

4 Profit before income tax

The following items have been credited/charged to the profit before income tax during the interim period:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Crediting				
Fair value gain on financial assets at fair value through profit or loss (realised and unrealised), net	**619**	3,628	**2,691**	3,392
Gain on disposal of property, plant and equipment	**144**	590	**144**	629
Reversal of previously written-off accounts receivable	**–**	1,342	**1,289**	4,144
Reversal of provision for impairment of accounts receivable	**–**	2,551	**1,346**	2,551
Reversal of provision for impairment of prepayments, deposits and other receivables	**720**	2,230	**1,597**	2,230
Gain on additional capital injection into a subsidiary *(Note 16(a))*	**7,500**	–	**7,500**	–
Gain on the acquisition of a subsidiary *(Note 16(b))*	**14,264**	–	**14,264**	–
Charging				
Amortisation of purchased programme and film rights	**5,879**	5,250	**14,390**	9,053
Production costs of self-produced programmes	**30,741**	25,535	**67,757**	61,858
Transponder rental *(Note 20(i)(j), (k))*	**7,653**	4,554	**14,808**	9,074
Provision for impairment of accounts receivable	**348**	–	**625**	1,039
Employee benefit expenses (including Directors' emoluments)	**82,225**	71,286	**166,677**	141,253
Operating lease rental in respect of				
– Directors' quarters	**344**	326	**668**	649
– Land and buildings	**5,487**	5,074	**11,571**	9,931
Loss on disposal of property, plant and equipment	**–**	–	**23**	–
Depreciation expenses	**5,549**	7,269	**11,765**	12,677
Amortisation of lease premium for land	**435**	335	**871**	666

5 Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (six months ended 30 June 2007: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current income tax				
– Hong Kong profits tax	**16,712**	6,837	**30,248**	26,658
– Overseas taxation	**236**	–	**188**	13
– Over provision of Hong Kong profits tax in prior year	**–**	–	**–**	(4,786)
Deferred income tax	**(1,988)**	7,185	**(2,204)**	2,438
	14,960	14,022	**28,232**	24,323

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the location in which the Company operates as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit before income tax	**121,103**	89,068	**197,548**	149,957
Calculated at a taxation rate of 16.5% (three months and six months ended 30 June 2007: 17.5%)	**19,982**	15,587	**32,595**	26,242
Income not subject to taxation	**(9,040)**	(4,946)	**(12,057)**	(7,346)
Expenses not deductible for taxation purposes	**765**	2,360	**2,813**	4,765
Tax losses not recognised	**4,136**	1,067	**6,735**	5,558
Effect of tax holiday granted to PRC subsidiaries	**(883)**	–	**(1,805)**	–
Over provision of Hong Kong profits tax in prior years	**–**	–	**–**	(4,786)
Others	**–**	(46)	**(49)**	(110)
Tax expense	**14,960**	14,022	**28,232**	24,323

6 Interim dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

7 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
Profit attributable to equity holders of the Company *(HK$'000)*	**108,378**	71,799	**173,164**	123,990
Weighted average number of ordinary shares in issue *('000)*	**4,954,412**	4,944,409	**4,954,220**	4,943,810
Basic earnings per share *(Hong Kong cents)*	**2.19**	1.45	**3.50**	2.51

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for calculation of diluted earnings per share.

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
Profit attributable to equity holders of the Company used to determine diluted earnings per share *(HK$'000)*	**108,378**	71,799	**173,164**	123,990
Weighted average number of ordinary shares in issue *('000)*	**4,954,412**	4,944,409	**4,954,220**	4,943,810
Adjustment for share options *('000)*	**2,879**	13,933	**5,565**	12,168
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,957,291**	4,958,342	**4,959,785**	4,955,978
Diluted earnings per share *(Hong Kong cents)*	**2.19**	1.45	**3.49**	2.50

8 Accounts receivable, net

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
Accounts receivable	**52,228**	34,289
Less: Provision for impairment of receivables	**(7,560)**	(8,623)
	44,668	25,666

The carrying amounts of accounts receivable, net, approximate their fair values.

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group *(see Note 9)*. The Group generally requires customers to pay in advance.

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
0-30 days	**24,511**	10,320
31-60 days	**7,598**	6,062
61-90 days	**2,815**	3,843
91-120 days	**4,380**	2,821
Over 120 days	**12,924**	11,243
	52,228	34,289
Less: Provision for impairment of receivables	**(7,560)**	(8,623)
	44,668	25,666

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

The Group has recognised a loss of HK$348,000 and HK$625,000 (three months and six months ended 30 June 2007: nil and HK$1,039,000) for the impairment of its accounts receivable during the three months and six months ended 30 June 2008 respectively. The loss has been included in selling, general and administrative expenses in the unaudited condensed consolidated income statement. The Group has written off HK$99,000 and HK$326,000 (three months and six months ended 30 June 2007: HK$2,534,000 and HK$2,876,000) of accounts receivable against the provision for impairment of receivables and reversed nil and HK$2,635,000 (three months and six months ended 30 June 2007: HK$3,893,000 and HK$6,695,000) of the provision for impairment of receivables made in prior years during the three months and six months ended 30 June 2008 respectively.

9 Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$415,106,000 (as at 31 December 2007: HK$377,501,000) owing from an advertising agent, Shenzhou, 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.

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

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately HK$415,106,000 as at 30 June 2008 is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

10 Purchased programme and film rights, net

	For the six months ended 30 June 2008 *HK$'000*	For the year ended 31 December 2007 *HK$'000* (Audited)
Balance, beginning of period/year	**20,712**	17,976
Additions	**15,341**	20,612
Amortisation	**(14,390)**	(17,799)
Others	**(260)**	(77)
Balance, end of period/year	**21,403**	20,712
Less: Purchased programme and film rights – current portion	**(3,754)**	(2,889)
	17,649	17,823

11 Lease premium for land

The Group's interests in land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
In Hong Kong, held on:		
Leases of over 10 to 50 years	**39,061**	39,547
Outside Hong Kong, held on:		
Leases of over 10 to 50 years	**330,296**	93,263
	369,357	132,810

	For the six months ended 30 June 2008 HK$'000	For the year ended 31 December 2007 HK$'000 (Audited)
Balance, beginning of period/year	**132,810**	74,696
Additions *(Note a)*	**239,165**	60,100
Amortisation *(Note c)*	**(2,618)**	(1,986)
Balance, end of period/year *(Note b)*	**369,357**	132,810

(a) Additions for the six months ended 30 June 2008 represented:

(i) Land use right for a piece of land in Chaoyang Park in Beijing.

On 9 April 2008, Phoenix Pictures Limited, an indirectly wholly owned subsidiary of the Company, acquired Phoenix Oriental, which holds the land use right for a piece of land in Chaoyang Park (the "Land"). The land use rights held by Phoenix Oriental has been consolidated into the unaudited condensed consolidated financial statements of the Group since then.

The land use rights for the land situated at the south western corner of Chaoyang Park in Beijing was valued by independent appraisers as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land use rights as at acquisition date was RMB209,273,000 (equivalent to approximately HK$235,330,000).

The Land, comprised of approximately 18,822 square metre and a permitted total gross floor area above ground of approximately 35,000 square metre, is for cultural, entertainment and office uses. Management intends the Land to be used for the development of a Phoenix International Media Centre. The lease period of the Land is 50 years from 10 October 2001.

(ii) Capitalisation of compensation cost amounting to RMB3,398,100 (equivalent to approximately HK$3,821,000) paid for the title registration for the Land.

(b) Net book value as at 30 June 2008 represented:

(i) Taxes amounting to HK$2,322,000 paid for the title registration for the land use rights of a villa (the "Villa") received in a barter transaction with Mission Hills Group Limited ("Mission Hills") in the PRC *(see Note 12(a))*.

(ii) Pursuant to an agreement dated 29 October 2003 and the two supplementary agreements dated 12 May 2005 and 27 July 2007 respectively, the Group entered into a construction development project with Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Land Group (Holdings) Limited, the shares of which are listed on the Main Board of the Stock Exchange. Under the terms of the contracts, the Group was effectively entitled to 10,000 square meters of the non-saleable areas in a building in Shenzhen (the "Shenzhen Building") upon the completion of development in exchange for the land use rights previously obtained by the Group for the land on which the building stands. The Shenzhen Building was completed in December 2006 and the Group began its use of its entitled areas in the building. As at 31 December 2006, the Group's entitlement to use was accounted for as a finance lease as the Group did not have title to its entitled areas. On 20 November 2007, pursuant to a notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management, the Group paid a land premium of RMB16,574,000 (equivalent to approximately HK$17,133,000) and related land tax of RMB497,000 (equivalent to approximately HK$514,000) to the Shenzhen Municipal Bureau of Land Resources and Housing Management to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of 8,500 square meters. As of 30 June 2008, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate of the Shenzhen Building will be issued in the near future.

(iii) Land lease premium amounting to HK$40,131,000 for the property in the Taipo Industrial Estate in Hong Kong (the "Property") was capitalised upon taking possession of the Property in May 2007 and is being amortised over the life of the land lease. In accordance with the requirements of the Hong Kong Science and Technology Parks Corporation, the lessor of the leasehold land of the Property, the Group has also undertaken to complete installation of new machinery and equipment with a value of not less than HK$105,000,000 at the Property within 48 months of 31 May 2007, and to commence operation of the facility within 18 months from the completion date.

(iv) The land use rights to a piece of land in Chaoyang Park in Beijing amounting to RMB211,562,000 (equivalent to HK$237,904,000), see (a) (i) above.

(c) For the six months ended 30 June 2008, amortisation of lease premium for land and land use rights capitalised in construction in progress under property, plant and equipment amounted to HK$1,748,000 (six months ended 30 June 2007: Nil).

12 Property, plant and equipment, net

	For the six months ended 30 June 2008 *HK$'000*	For the year ended 31 December 2007 *HK$'000* (Audited)
Balance, beginning of period/year	**248,951**	106,950
Additions (Note a)	**97,657**	170,281
Exchange differences	**1,227**	645
Disposals	**(1,087)**	(1,267)
Depreciation	**(11,765)**	(27,432)
Impairment	**–**	(226)
Balance, end of period/year *(Note b)*	**334,983**	248,951

(a) On 23 June 2006, the Group entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") and a barter agreement (the "Barter Agreement") with Mission Hills Group Limited ("Mission Hills"). According to the Strategic Cooperation Agreement, the Group would provide advertising airtime on its satellite television channels and assist Mission Hills in the planning and promotion of the corporate image and branding of Mission Hills by using the Group's resources and leading position in the media industry. The contract term of the Strategic Cooperation Agreement is five years from the date of the contract.

Under the Barter Agreement, Mission Hills transferred the title, rights and interests of a villa in Mission Hills in Residence development to the Group at a price of approximately HK$98,000,000 and in exchange, the Group would provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Group's normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of Mission Hills and its projects. The Group took possession of the Villa in July 2006 and received title in February 2007. Interior fitting out of the Villa began in 2007. The cost of the building portion of the Villa of approximately HK$24,868,000 together with fitting out costs of HK$8,666,000 was included in construction in progress during the six months ended 30 June 2008.

For the three months and six months ended 30 June 2008, the Group recognised revenue of approximately nil and HK$7,621,000 (three months and six moths ended 30 June 2007: HK$2,203,000 and HK$4,812,000) for airtime utilised. As at 30 June 2008, the unutilised amount of airtime of HK$43,516,000 (as at 30 June 2007: HK$57,584,000) has been recorded in deferred income in the unaudited condensed consolidated balance sheet.

(b) The balance includes an amount of HK$30,848,000 which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. The Shenzhen Building was completed in December 2006 and the Group began fitting out its entitled areas in the Shenzhen Building. Fitting out was completed in 2007 and the balance was transferred from construction in progress to buildings and leasehold improvements. The Group's entitlement to use was accounted for as a finance lease as at 30 June 2008. As at 30 June 2008, the cost of this capitalised finance lease was HK$30,848,000 (as at 31 December 2007: HK$30,848,000) with a net book value of HK30,032,000 (as at 31 December 2007: HK$30,382,000). As at 30 June 2008, the Group was awaiting the issuance of the title certificate to the 8,500 square meters of the entitled areas after the payment of land premium and taxes in 2007 *(See Note 11(b)(ii))*.

13 Investments in jointly controlled entities

	For the six months ended 30 June 2008 *HK$'000*	For the year ended 31 December 2007 *HK$'000* (Audited)
Unlisted investments, at cost, beginning of period/year	**13,246**	13,246
Less: Provision for impairment	**(472)**	(472)
Less: Share of jointly controlled entities' results – net loss	**(5,410)**	(4,491)
Unlisted investments, net, end of period/year	**7,364**	8,283

Details of the jointly controlled entities as at 30 June 2008 were as follows:

Name	Place and date of incorporation	Place of operation	Principal activity	Percentage of equity interest 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
北京同步廣告傳播有限公司 *(Note)*	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB30,000,000

Note: On 8 June 2007, Hong Kong Phoenix Satellite Television Limited ("Hong Kong Phoenix"), an indirect wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with 北京廣播公司 (Beijing Broadcasting Company), 北京同步廣告傳播有限公司 (Beijing Simulcast Communication Co. Ltd) and CBC Advertising Limited pursuant to which the registered capital of 北京同步廣告傳播有限公司 would be increased from RMB30,000,000 to RMB44,600,000. According to the Agreement, the increase in capital was to be contributed by Hong Kong Phoenix and CBC Advertising Limited as to RMB2,110,000 and RMB12,488,000, respectively. Subject to certain conditions, Hong Kong Phoenix and CBC Advertising Limited would have to inject no less than RMB422,000 and RMB2,497,600, respectively, five days prior to the application for business registration of the capital increment with the relevant authorities in Mainland China and must inject the remaining funds within one month after the issuance of the business licence reflecting the capital increment. Immediately after the capital increment, the registered capital of 北京同步廣告傳播有限公司 owned by the Group, 北京廣播公司 and CBC Advertising Limited would change from 45%, 55% and 0% to 35%, 37% and 28% respectively.

On 27 May 2008, Hong Kong Phoenix entered into a new agreement with 北京廣播公司, 北京同步廣告傳播有限公司 and UPB International Media Limited which supersedes the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix shall additionally inject RMB12,000,000 and then become owner of 41.57% of the registered capital of the joint venture. As of 30 June 2008, the additional capital contribution had not been made by the Group.

Unaudited combined financial information of the jointly controlled entities was as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Assets:		
Non-current assets	**206**	229
Current assets	**21,009**	20,954
	21,215	21,183
Liabilities:		
Current liabilities	**137**	110
	137	110
Net assets	**21,078**	21,073

	For the three months ended 30 June 2008 HK$'000	2007 HK$'000	For the six months ended 30 June 2008 HK$'000	2007 HK$'000
Income	**22**	1,231	**22**	1,231
Expenses	**(831)**	(699)	**(2,059)**	(1,503)
(Loss)/profit after income tax	**(809)**	532	**(2,037)**	(272)

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities, and no contingent liabilities of the jointly controlled entities themselves.

14 Financial assets at fair value through profit or loss

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
Unlisted investments at fair value	**62,857**	76,638
Less: Non-current portion	**(26,905)**	(39,757)
	35,952	36,881

The above investments were designated as fair value through profit or loss on initial recognition. Investments with a maturity longer than one year at the inception date are classified as non-current. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other income in the income statement.

As these investments are not publicly traded and in the absence of readily available information to determine the fair values of these investments, the Group has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these investments.

15 Accounts payable, other payables and accruals

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
Accounts payable	**13,332**	12,740
Other payables and accruals	**106,675**	93,996
	120,007	106,736

An ageing analysis of accounts payable is set out below:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000 (Audited)
0-30 days	**9,040**	8,138
31-60 days	**2,112**	1,875
61-90 days	**7**	534
91-120 days	**117**	466
Over 120 days	**2,056**	1,727
	13,332	12,740

The carrying amounts of accounts payable, other payables and accruals approximate their fair values.

16 Other gains, net

(a) Gain on additional capital injection into a subsidiary

The Group signed a cooperation agreement in 2007 (the "Cooperation Agreement") with Regal Fame Investments Limited ("Regal Fame"), a third party company, to incorporate a Hong Kong company named Phoenix Metropolis Media Company Limited ("Phoenix Metropolis Media"), formerly known as Phoenix Outdoor Media Company Limited, which is to set up wholly foreign-owned enterprises ("WFOEs") and/or joint venture companies ("JVs") in the Mainland China to develop the outdoor media business.

In July 2007, the Group and Regal Fame each contributed HK$35,000,000 to Phoenix Metropolis Media (i.e. a total of HK$70,000,000) although the equity interest held by the Group and Regal Fame was 75% and 25% respectively. The excess of the Group's share of net assets of Phoenix Metropolis Media (i.e. HK$52,500,000) over the cost of the Group's investment (i.e. HK$35,000,000) amounting to HK$17,500,000 on the formation of Phoenix Metropolis Media has been recognised as income and included in "Other gains" in the consolidated income statement for the year ended 31 December 2007.

By written resolutions dated 8 April 2008, the shareholders of Phoenix Metropolis Media resolved to increase the capital contribution into Phoenix Metropolis Media by a further HK$87,000,000 (that is from the original HK$70,000,000 to HK$157,000,000), in order to expand the investment in the outdoor media business in the Mainland China. Based on the Cooperation Agreement, any additional capital injection after the original amount of HK$70,000,000 would be shared equally by the Group and Regal Fame up to a total capital injection of HK$100,000,000, and the remaining additional capital of HK$57,000,000 would be contributed by the Group and Regal Fame in accordance with their respective equity interest of 75% and 25%.

As of 30 June 2008, the total additional capital injection of HK$87,000,000 had been paid up by the Group and Regal Fame respectively.

The excess of the Group's share of net assets of Phoenix Metropolis Media resulting from the additional capital injection (i.e. HK$65,250,000) over the cost of the Group's investment (i.e. HK$57,750,000) has been recognised as income and included in "Other gains" in the unaudited consolidated income statement for the six-month period ended 30 June 2008.

(b) Gain on the acquisition of a subsidiary

Phoenix Pictures Limited ("Phoenix Pictures"), an indirect wholly-owned subsidiary of the Company, entered into a capital increase contract (the "Capital Increase Contract") on 27 June 2007 and an amended and restated capital increase contract ("the Amended Contract") on 21 December 2007 with the existing shareholders of Phoenix Oriental pursuant to which Phoenix Pictures conditionally agreed to subscribe for 50% of the enlarged registered capital (the "Subscription") of Phoenix Oriental. The purpose of the investment is to participate in the development of a site (the "Land") situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing, into a building ("Phoenix International Media Centre") which will contain theatres and television programme studios to be used by the Group. The land use rights of the Land are owned by Phoenix Oriental pursuant to a land and project transfer contract with (Beijing Chaoyang Park Development & Management Co.) entered into in May 2006 and are for a term of 50 years from 10 October 2001.

According to the Amended Contract, the registered capital of Phoenix Oriental shall be increased from RMB10,000,000 to RMB300,000,000, where RMB150,000,000 will be contributed by Phoenix Pictures, subject to the satisfaction of certain conditions, including obtaining all the necessary approvals from the Ministry of Commerce and/or its local branches for the Subscription and the conversion of Phoenix Oriental into a sino-foreign equity joint venture enterprise and other approvals from relevant authorities for the capital increment.

On 27 February 2008, a Certificate of Approval was issued to Phoenix Oriental by the Beijing Municipal People's Government approving the establishment of Phoenix Oriental as a sino-foreign equity joint venture enterprise. On 28 March 2008, the Group remitted RMB150,000,000 to Phoenix Oriental as its capital injection into Phoenix Oriental. On 8 April 2008, the capital verification report for the injection of additional capital by the various new shareholders of Phoenix Oriental was completed and on 9 April 2008, Phoenix Oriental became a subsidiary of the Group and the financial statements of Phoenix Oriental have been consolidated since that date.

As the share of fair value of the net assets acquired exceeds the Group's cost of acquisition, negative goodwill of approximately HK$14,264,000 has resulted. The amount was recognised in "Other gains" in the unaudited consolidated income statement for the six month period ended 30 June 2008.

17 Share capital

	Six months ended 30 June 2008		Year ended 31 December 2007	
	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	**4,950,422,000**	**495,042**	4,942,126,000	494,213
Exercise of share options	**3,990,000**	**399**	8,296,000	829
End of period/year	**4,954,412,000**	**495,441**	4,950,422,000	495,042

18 Commitments

(a) Programme and film rights acquisition

As at 30 June 2008, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$3,184,000 (as at 31 December 2007: HK$13,368,000) of which all (as at 31 December 2007: all) was 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 2008 ***HK$'000***	As at 31 December 2007 *HK$'000* (Audited)
Not later than one year	**3,184**	13,368
Later than one year and not later than five years	**–**	–
	3,184	13,368

(b) Capital commitments

As at 30 June 2008, the Group had capital commitments of approximately HK$72,079,000 (as at 31 December 2007: HK$110,990,000) as follows:

	As at 30 June 2008 ***HK$'000***	As at 31 December 2007 *HK$'000* (Audited)
Contracted but not provided for:		
Not later than one year	**32,328**	56,887
Later than one year and not later than five years	**–**	–
Authorised but not contracted for		
Not later than one year	**39,751**	54,103
Later than one year and not later than five years	**–**	–
	72,079	110,990

19 Banking facilities

As at 30 June 2008, the Group had banking facilities amounting to approximately HK$18,924,000 (as at 31 December 2007: HK$19,067,000) of which approximately HK$11,440,000 (as at 31 December 2007: HK$11,440,000) was unutilised. The facilities are covered by counter indemnities from the Group. As at 30 June 2008, deposits of approximately HK$3,924,000 (31 December 2007: HK$4,067,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

20 Related party transactions

(i) The Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

		For the three months ended 30 June		For the six months ended 30 June	
	Notes	**2008** *HK$'000*	2007 *HK$'000*	**2008** *HK$'000*	2007 *HK$'000*
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**13,645**	13,520	**27,178**	26,738
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	**870**	796	**1,744**	1,679
Film licence fees paid/payable to STAR Filmed	a, d	**5,098**	5,113	**10,200**	10,217
Service charges paid/payable to Asia Television Limited ("ATV")	e, f	**47**	72	**125**	239
Service charges received/receivable from ATV	e, g	**278**	321	**571**	641
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	h, i	**955**	928	**1,826**	1,854
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	j, k	**305**	306	**611**	607
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	l, m	**–**	241	**279**	493
Programme licence fees to SGL Entertainment Limited ("SGL")	a, n	**–**	–	**–**	78
Programme license fees paid/payable to Asia Television Enterprise Limited ("ATVE")	e, o	**–**	–	**234**	–
Advertising sales to China Mobile Communications Corporation and its subsidiaries ("the CMCC Group")	p, q	**9,693**	6,586	**19,101**	13,022
Key management compensation	iii	**4,316**	4,999	**8,632**	9,998

Notes:

(a) STARL, STAR Filmed, SGL 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 equity holder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 30 June 2006. 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 21 July 2006. Either fixed fees or variable fees are charged depending on the type of services utilised.

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2007: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR Filmed.

(e) Mr. LIU Changle and Mr. CHAN Wing Kee beneficially owned 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owned approximately 26.85% of ATV as at 30 June 2008.

(f) 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.

(g) 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.

(h) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(i) 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.

(j) BSkyB is 39.14% owned by News Corporation, which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(k) 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.

(l) DIRECTV is not regarded as a related party or connected party of the Group with effect from 27 February 2008 after the completion of the share exchange agreement between the News Corporation and Liberty Media Corporation. As at 26 February 2008, DIRECTV was 40.97% directly owned by Fox Entertainment Group, Inc., which indirectly owned 100% of Fox. Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(m) Service charges received/receivable from DIRECTV are charged based on terms specified in a service agreement.

(n) Programme license fees to SGL are charged based on terms specified in a license agreement.

(o) Pursuant to a programme licensing agreement dated 29 May 2003, the programme license fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule of the agreement are charged at a fixed fee or fees to be mutually agreed.

(p) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.84% of the issued share capital of the Company.

(q) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels operated by the Group.

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

	As at 30 June 2008 *HK$'000*	As at 31 December 2007 *HK$'000* (Audited)
Amounts due from related companies	**6,738**	3,840
Amounts due to related companies	**(3,811)**	(3,506)

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

(iii) Key management compensation

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Salaries	**2,895**	3,293	**5,790**	6,586
Quarters and housing allowance	**1,132**	1,377	**2,264**	2,754
Pension fund	**289**	329	**578**	658
	4,316	4,999	**8,632**	9,998

21 Subsequent event

In relation to the outdoor media business in Mainland China to be developed by Phoenix Metropolis Media *(see Note 16(a))*, as at 30 June 2008, 3 WFOEs had been set up and consolidated into the condensed financial statements as of and for the six month period ended 30 June 2008. None of the JVs had been set up although a capital fund transfer of RMB6,000,000 to the Nanjing JV had been made but had not yet been injected as capital. Subsequent to 30 June 2008, the Shenzhen JV has been set up with a capital injection of RMB28,000,000 made by Phoenix Metropolis Media in July 2008.

22 Comparative figures

Certain of the 2007 comparative figures have been reclassified to conform to the current quarter's presentation. Certain income relating to ancillary television broadcasting and programme production have been reclassified from other income to revenue.

As at the date of this report, the executive directors of the Company are Mr. LIU Changle, Mr. CHUI Keung and Mr. WANG Ji Yan, the non-executive directors of the Company are Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. Paul Francis AIELLO, Mr. LAU Yu Leung, John, and Mr. GONG Jianzhong and the independent non-executive directors of the Company are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.