鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- The Group's revenue exceeded one billion, maintaining the positive performance Phoenix achieved in 2004. Revenue for the year ended 31 December 2005 was 7.8% higher than the previous year, and was approximately HK$1,034,768,000*.

- The increase in revenue generated an annual profit attributable to equity holders of approximately HK$181,482,000, which was a 20.6% improvement over the profit achieved in 2004.

- The performance of InfoNews remained relatively stable, with a marginal increase in revenue being offset by a rise in operating costs.

- The Board recommended a final dividend of HK$0.012 per share.

RESULTS

The Group's revenue for 2005 increased 7.8% over that of 2004, which was itself a major turn-around after several loss-making years. The main driver behind this result was the further growth in advertising revenue, which represented over 90% of the Group's total revenue. Profit attributable to equity holders reached a record high of approximately HK$181,482,000.

The Group's revenue for the year ended 31 December 2005 was approximately HK$1,034,768,000*, which represented a moderate growth of 7.8% as compared with 2004. Operating costs increased by 6.7% to approximately HK$876,083,000*, mainly as a consequence of the increase in doubtful debt provisions.

The Group's profit from operations and profit attributable to equity holders for the year ended 31 December 2005 were approximately HK$158,685,000 and HK$181,482,000 respectively. These figures represented improvements of approximately HK$20,149,000 and HK$30,988,000 respectively as compared to the same period of 2004. Profit attributable to equity holders was mainly generated by the increase in advertising revenue. The aggregate amount of the gain on disposal in May 2005 of 50% of the Group's interest in the property to be built in Shenzhen of approximately HK$12,000,000 and the revaluation of the Renminbi in July 2005 of approximately HK$10,000,000 had boosted the profit attributable to equity holders. However, the Group's tax expense in 2005 increased by approximately HK$16,000,000 as compared with that of 2004.

The chart of results presented below compares the performance of the year ended 31 December 2005 with that of the same period of 2004 in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**749,650**	707,005
Phoenix InfoNews Channel	**165,186**	161,700
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**61,962**	51,298
Other businesses	**57,970**	39,657
Group's total revenue	**1,034,768***	959,660*
Operating costs	**(876,083)***	(821,124)*
Profit from operations	**158,685**	138,536
Profit attributable to equity holders of the Company	**181,482**	150,494
Earnings per share, *Hong Kong cents*	**3.67**	3.05

* *Due to the change of accounting policy in 2005 on the presentation of "Advertising Revenues", relevant figures were restated the change had no effect on the profit/loss of the Group. Please refer to the "Management Discussion and Analysis" for a detail explanation and the effect of the change in accounting policy.*

BUSINESS OVERVIEW AND PROSPECTS

2005 was a remarkably successful year for the Phoenix Group. The Group's income exceeded one billion Hong Kong dollars, continuing the strong performance recorded in 2004. The profit attributable to equity holders rose by 20.6% over the figure set in 2004, and the Directors recommend a final dividend of HK$0.012 per share.

The Group has expanded its audience, both internationally and even more dramatically within mainland China. At the same time Phoenix has been recognized by the international press and major foreign governments as a unique Mandarin Chinese broadcaster.

The current advertising sales system, which has the flexibility to allow advertising agencies across China to market advertising on behalf of Phoenix, has produced a much more dynamic and comprehensive network of advertising agencies with an interest in marketing Phoenix.

Phoenix Chinese Channel remained the Group's flagship, and continued to generate the bulk of the Group's income, accounting for 72.4% of the Group's revenue, with its own income increasing by 6% over the last financial year. The Chinese Channel maintained the Phoenix tradition of innovative programming, and provided the Chinese audience with cutting edge entertainment and up-to-the-minute information on economic and political developments.

Another major driver behind the Group's continuing success has been the steady performance of InfoNews. Higher operating costs prevented InfoNews reaching the break-even point, but surveys show that the InfoNews audience has been expanding.

When it was first established in 2001 InfoNews was a serious financial strain on the Group, but in the past two years it has made major progress in expanding its revenue and its audience. Its first-hand coverage of major international events, such as the violence in Iraq, the ongoing tension in Israel-Palestinian relations, and the terrorist attacks on London, matches the coverage provided by other major international television news services. But InfoNews also covers regional issues, such as the visit to mainland China of key Taiwan political figures, last December's elections in Taiwan, the humiliation of some female Chinese visitors to Malaysia, and the evolution of Japanese policy towards China, Taiwan and East Asia in general, that are of direct interest to the global Chinese audience but which are rarely covered by any other international television news services. No other Chinese broadcaster combines international and regional, Chinese-related news as InfoNews does.

InfoNews has also made a major contribution to the image of the Phoenix Group at large, underscoring the Group's reputation for an extremely comprehensive and timely coverage of major international events and developments. This was highlighted in 2005 by interviews with the British Prime Minister Tony BLAIR during his visit to China and with United States President George BUSH shortly before he visited Beijing late last year.

The Group's role in mainland China as the most widely watched external Mandarin Chinese-language broadcaster has also attracted an unprecedented level of international press coverage of Phoenix. During 2005 the *Washington Post*, which described Phoenix as "the channel of choice for much of China's new elite", *Newsweek*, and the *Sydney Morning Herald* all ran major stories that highlighted Phoenix's unique position in the Chinese media world as a vehicle that delivers large quantities of information and entertainment from the outside world to the Chinese audience.

The success of both Phoenix Chinese and InfoNews channels reflects a substantial growth in awareness of the Phoenix brand name. The most dramatic example was Phoenix's sponsorship of the visit to Beijing and Shanghai by the Taiwan-based writer, scholar and parliamentarian, LI Ao, whose speeches at universities in both cities aroused a high level of interest and controversy and tested the limits of freedom of expression in contemporary China.

The Canadian Radio-television and Telecommunications Commission gave permission to distribute Phoenix North America Chinese Channel and the channel was launched in Canada by Rogers Cable Communications Inc. in late 2005. In addition, Phoenix has set up a joint venture in Malaysia, which has the largest number of Phoenix viewers outside mainland China, to tap into its advertising market with a view to translating Phoenix's brand name into money.

2006 is the 10th Anniversary of Phoenix. As Chairman I would like to acknowledge the enormous contribution that the staff of Phoenix has made to the Group's success, not just during 2005, but throughout the past ten years. The hard work, team spirit and creativity that the staff has collectively displayed had been an essential factor in Phoenix's evolution from a one-channel broadcaster in Hong Kong in 1996 into a multi-channel system that has global reach and which is the preferred Chinese-language media platform for foreign leaders who want to communicate with key audiences in China. This same sense of commitment and professionalism has enabled the Group to be at the forefront of global media organisations reporting on international crises and conflicts. I look forward to the coming years, confident that the spirit that the Group's staff has displayed over the past ten years will continue to carry Phoenix forward to even greater successes in the future.

MANAGEMENT DISCUSSION & ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of the Group's businesses for the year ended 31 December 2005 and 2004 respectively.

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**353,569**	324,302
Phoenix InfoNews Channel	**(12,573)**	(3,493)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(60,495)**	(53,082)
Other businesses	**(3,760)**	(543)
Corporate overheads	**(118,056)**	(128,648)
Profit from operations	**158,685**	138,536

Revenues from television broadcasting, comprising both advertising and subscription revenues, which accounted for 94.4% of the Group's total revenue for the year ended 31 December 2005, increased by 6.2% to approximately HK$976,797,000 (year ended 31 December 2004: HK$920,002,000). The segmental result for television broadcasting recorded a profit of approximately HK$281,610,000 for the year (year ended 31 December 2004: HK$274,477,000).

Revenue from the Group's flagship channel, Phoenix Chinese Channel, which accounted for 72.4% of the Group's total revenue for the year ended 31 December 2005, increased by 6.0% to approximately HK$749,650,000 (year ended 31 December 2004: HK$707,005,000).

Phoenix InfoNews Channel's revenue maintained a steady level, and amounted to approximately HK$165,186,000 (year ended 31 December 2004: HK$161,700,000). However, due to the increase of operating costs, the operating loss widened to approximately HK$12,573,000 for the year ended 31 December 2005 (year ended 31 December 2004: HK$3,493,000).

Advertising sales of Phoenix Movies Channel showed improvement in 2005. However, the effect of such increase was offset by the increase in doubtful debt provision, and the operating result only marginally improved compared with 2004. Revenue of Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel remained at a steady level for 2005. On the other hand, the launch of G3C platform in North America unavoidably increased operating costs, which explained the increase in the operating loss for 2005.

Revenue from programme production and ancillary services improved steadily to approximately HK$32,799,000, which included intra-group sales of approximately HK$28,808,000, for the year ended 31 December 2005 (year ended 31 December 2004: total revenue – HK$27,219,000; intra-group sales – HK$23,812,000). Segmental results for programme production and ancillary services hence recorded a profit of approximately HK$3,489,000 for the year, which represented a satisfactory increase of 101.3% as compared with 2004.

The revenues of the internet services were relatively stable. The increase in loss was mainly attributable to the increase in operating costs.

Other activities, which included advertising and subscription revenue from the Phoenix Weekly magazine and handling income from television subscriptions, contributed marginally to the Group for the year ended 31 December 2005.

Please refer to note 5 of the notes to the financial statements for a detailed analysis on segmental information and the "Business Overview" in this announcement for commentary on our core business.

DIVIDEND

The Board has resolved to recommend a final dividend of HK$0.012 per ordinary share for the year ended 31 December 2005 (2004: HK$0.01 per ordinary share). Upon approval by the shareholders, the final dividend will be paid on or about 30 June 2006 to shareholders whose names appear on the register of members of the Company on 22 June 2006.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Pursuant to an agreement dated 29 October 2003 (the "Agreement") entered into by the Phoenix Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity acquired a 60% interest in Phoenix Real Properties Limited ("Real Properties"), which owns a 90% interest in 深圳鳳凰置業有限公司. The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Phoenix Group, under which it charged 30% equity interest in Real Properties, as security for the due performance of its obligations under the Agreement. Pursuant to the Agreement, Oasiscity shall be responsible for providing all required financing for the development of the building and the Phoenix Group is not required to provide any further financing for the development of the building but will be entitled to a portion of the non-saleable area.

On 12 May 2005, the Group and Oasiscity entered into a supplementary agreement, pursuant to which, inter alia, (i) Phoenix shall transfer 10,000 square meters of the building to which Phoenix would be entitled after the completion thereof to Oasiscity at RMB60,000,000 (equivalent to approximately HK$55,800,000) payable by 3 installments and (ii) Oasiscity shall be allotted an additional 33 shares in Real Properties at par value so that after the allotment Oasiscity should hold approximately 70% interest therein. The Group's entitlement to the relevant portion of the non-saleable area will then be reduced by half. As a result, a gain on disposal of approximately HK$11,599,000 was recorded in the year ended 31 December 2005.

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

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2005 gradually improved compared to those of the Group as at 31 December 2004. The aggregate outstanding borrowings of the Group as at 31 December 2005 were approximately HK$4,900,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 31 December 2004: HK$8,085,000). 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 15.5% as at 31 December 2005 (as at 31 December 2004: 24.6%). Accordingly, the financial position of the Group has remained very liquid.

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

CHARGE ON ASSETS

As at 31 December 2005, deposits of approximately HK$3,407,000 (as at 31 December 2004: HK$3,700,000) 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 31 December 2005 and 31 December 2004.

CAPITAL STRUCTURE

During the year ended 31 December 2005, other than the exercise of share options granted (detail as per note 25 to the financial statements), there is no change in the Company's share capital. As at 31 December 2005, the Group's operations were financed mainly by equity holders' equity.

STAFF

As at 31 December 2005, the Group employed 710 full-time staff (31 December 2004: 624), 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 year ended 31 December 2005 increased to approximately HK$242,207,000 (year ended 31 December 2004: HK$220,798,000).

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2005, the Company invested in certain unlisted security investments with an estimated fair market value of approximately HK$89,729,000 (as at 31 December 2004: HK$53,461,000).

Save as disclosed above, the Group has not held any significant investment for the year ended 31 December 2005.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

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

CONTINGENT LIABILITIES

Other than disclosed in note 30 to the financial statements, the Group had no material contingent liabilities as at 31 December 2005 and 31 December 2004.

CHANGE OF ACCOUNTING POLICY

In previous years, the Group reported advertising revenue at gross value, and advertising agency commission was presented as operating expenses. To improve the Group's comparability with similar companies in the same industry and provide more relevant information on the revenue transactions, in 2005 the management decided to change the accounting policy, and to report advertising revenue at net value and not at gross value. Net value represents the advertising revenue net of agency commissions. This change has no effect on the profit/loss of the Group.

The chart presented below compares the relevant figures for the four quarters of 2005 in order to give a clearer picture of the effect on the change of accounting policy:

(Amount expressed in Hong Kong dollars)

	For the year 2005				
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
After the change of accounting policy					
Revenue	258,449	251,140	252,411	272,768	1,034,768
Operating expenses	(155,152)	(160,747)	(165,889)	(151,401)	(633,189)
Selling, general & administrative expenses	(62,659)	(57,493)	(55,948)	(66,794)	(242,894)
Operating profit	40,638	32,900	30,574	54,573	158,685
Result reported before the change of accounting policy					
Revenue	299,029	291,230	293,070		
Operating expenses	(195,732)	(200,837)	(206,548)		
Selling, general & administrative expenses	(62,659)	(57,493)	(55,948)		
Operating profit	40,638	32,900	30,574		

CORPORATE GOVERNANCE REPORT

We are committed to ensuring high standards of corporate governance in the interests of the shareholders of Phoenix Satellite Television Holdings Limited (the "Company") and devote considerable effort to identifying and formalising best practices.

CORPORATE GOVERNANCE PRACTICES

In line with the increasing regulatory and investor focus on corporate governance standards, the Stock Exchange has issued the Code on Corporate Governance Practices (the "Code") with effect from 1 January 2005.

On 26 December 2005, the Company adopted its own Code on Corporate Governance ("Phoenix's Code") which combined its existing principles and practices with most of the mandatory provisions of 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.

We will explain in this Corporate Governance Report where our approach deviates from the Code. Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2005, 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 is both the chairman and chief executive officer of the Company who is responsible for managing the board of directors (the "Board") and the businesses of the Company and its subsidiaries (collectively, the "Group") . He has been both chairman and chief executive officer of the Company since its incorporation and the management is of the view that the assumption of those positions by Mr. LIU, who is very experienced in the media industry, is in the best interest of the Company.

APPOINTMENTS, RE-ELECTION AND REMOVAL

Code Provisions

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

Deviation and its Reasons

Apart from the executive directors, no other directors of the Company (the "Directors") are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, 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 management considers that there is no imminent need to amend the articles of association of the Company.

COMMUNICATION WITH SHAREHOLDERS

Code Provisions

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

Deviation and its Reasons

Whilst the Company endeavours to maintain an on-going dialogue with shareholders, the chairman may not always be able to attend the annual general meeting due to other important business engagement. Mr. CHUI Keung, an executive Director, and Mr. Thaddeus Thomas BECZAK, an independent non-executive Director and also chairman of the audit committee of the Company, attended the 2005 annual general meeting and were available to answer questions if raised at the meeting.

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 year ended 31 December 2005.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company affairs.

The Board currently comprises two executive Directors, five non-executive Directors and three independent non-executive Directors. Their brief biographical details are described in the annual report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to rules 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors to be independent.

The Board meets at least four times a year to review the financial and operating performance of the Group.

There were four Board meetings held in the financial year ended 31 December 2005. Individual attendance of each Board member at these meetings is as follows:

Name of Director	*Note*	**Attended/ Eligible to attend**
Executive Directors		
Mr. LIU Changle *(Chairman & CEO)*		4/4
Mr. CHUI Keung		4/4
Non-executive Directors		
Ms. Michelle Lee GUTHRIE		3/4
Mr. LAU Yu Leung, John		3/4
Mr. CHEUNG Chun On, Daniel		4/4
Mr. XU Gang		0/4
Mr. CHEUNG San Ping		0/4
Independent Non-executive Directors		
Dr. LO Ka Shui		4/4
Mr. KUOK Khoon Ean	(i)	1/1
Mr. LEUNG Hok Lim	(ii)	4/4
Mr. Thaddeus Thomas BECZAK	(iii)	3/3
Alternate Director		
Mr. GONG Jianzhong	(iv)	1/4

Notes:

(i) Resigned as an independent non-executive Director on 10 March 2005.

(ii) Appointed as an independent non-executive Director on 21 January 2005.

(iii) Appointed as an independent non-executive Director on 11 March 2005.

(iv) An alternative Director to Mr. XU Gang.

During the regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, review and monitor the business and financial performances and discuss the quarterly, half-yearly and annual results, as well as discuss and decide on other significant matters.

The management is responsible for the day-to-day operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets 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.

The audit committee met four times in 2005. Individual attendance of each committee member at these meetings is as follows:

Name of Director	*Note*	**Attended/ Eligible to attend**
Independent Non-executive Directors		
Mr. Thaddeus Thomas BECZAK *(Chairman)*	(i)	3/3
Dr. LO Ka Shui		4/4
Mr. KUOK Khoon Ean	(ii)	1/1
Mr. LEUNG Hok Lim	(iii)	4/4
Non-executive Director		
Mr. LAU Yu Leung, John		2/4

Notes:

(i) Appointed as an independent non-executive Director on 11 March 2005.

(ii) Resigned as an independent non-executive Director on 10 March 2005.

(iii) Appointed as an independent non-executive Director on 21 January 2005.

The audit committee reviewed the Group's audited results for the year ended 31 December 2005 with management and the Company's external auditors and recommended its adoption by the Board.

Remuneration Committee

The Company established the remuneration committee in 2003. On 26 December 2005, the Board adopted the new terms of reference of the remuneration committee in alignment with the mandatory provisions set out in the Code.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the remuneration packages of all executive Directors and senior management staff of the Company.

The remuneration committee now 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.

In 2005, the remuneration committee made recommendation to the Board on the bonus payments and increment in salary and housing allowance (if any) for the Executive Directors and senior management staff by way of written resolutions passed by all the committee members.

Ad Hoc Committee

The Company adopted the terms of reference of the ad hoc committee in 2003 to deal with ad hoc matters, which set out detailed directions as to the powers delegated to the ad hoc committee. Any two Directors shall form a quorum for the transaction of business.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal control of the Group.

EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") has been appointed as the external auditors of the Company by shareholders at the annual general meeting.

The remuneration in respect of services provided by PwC for the Group is analysed as follows:

	31 December 2005 *HK$*	31 December 2004 *HK$*
Audit Service	**2,230,000**	1,809,000
Tax Service	**458,000**	476,000
Total	**2,688,000**	2,285,000

CONCLUSION

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

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITY AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 21 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 40.

The Directors recommend the payment of a final dividend of HK$0.012 per ordinary share, totaling HK$59,264,000, to be payable to shareholders whose names appear on the register of members of the Company on 22 June 2006.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,249,000 (2004: HK$10,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 25 and note 26, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2005, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$740,494,000 (as at 31 December 2004: HK$788,780,000).

FIVE PERIOD/YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial period/years is set out on page 93 to 94.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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 following is a summary of the principal terms of the Pre-IPO Share Option Scheme as at 31 December 2005:

Purpose of the scheme

The purpose of the scheme, though not explicitly stated in the scheme document, is to recognise the contribution of certain employees to the growth of the Group and/or to the listing of shares of the Company ("Shares") on the Growth Enterprise Market of the Stock Exchange ("GEM").

The participants of the scheme

Employees of any member of the Company, including any executive directors of any member of the Group who have commenced working for the Group for not less than one month prior to the date of grant of an option and spent not less than twenty hours per week in providing services to the Group may take up options to subscribe for Shares.

The total number of securities available for issue

The total number of Shares available for issue under options which may be granted under the Pre-IPO Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM on 30 June 2000 (the "Listing Date").

The total number of Shares in respect of which options are issuable under the scheme is 484,706,000 Shares, representing 10% and 9.8%, respectively, of the issued share capital of the Company as at the Listing Date and as at the date of this report.

The maximum entitlement of each participant under the scheme

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of Shares the subject of such option, when added to the number of Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of Shares previously subscribed by the eligible person under any options granted to the eligible person under the scheme exceeding 25% of the aggregate number of Shares available for subscription under the scheme at that time.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than three days from (and including) the date on which the letter of offer of the grant of option is issued by the Company ("Offer Date"). Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

Same as the offer price for the Shares as set out in the prospectus of the Company dated 21 June 2000.

The remaining life of the scheme

The scheme period expires upon the listing of the Company on the GEM, for which the option expires when the vesting period ends.

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**	**Exercise price per share**	**Balance as at 1 January 2005**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2005**
				HK$				
2 Executive Directors:								
LIU Changle	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI Keung	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
81 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	31,662,000	(60,000)	(554,000)	31,048,000
Total: 83 employees					40,972,000	(60,000)	(554,000)	40,358,000

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

During the year ended 31 December 2005, 60,000 options granted to an employee lapsed when she ceased her employment with the Group.

Save as disclosed above, no other option has been cancelled during the year.

Save as stated above, no option has been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Pre-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Pre-IPO Share Option Scheme.

(2) Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme as at 31 December 2005:

Purpose of the scheme

The purpose of the Post-IPO Share Option Scheme is to retain and provide incentives to the employees of the Group to achieve its business objectives.

The participants of the scheme

Employees of any member of the Company, including any executive directors of any member of the Group, in full-time employment with the Company (or its subsidiaries) may take up options to subscribe for Shares.

The total number of securities available for issue

(a) The total number of Shares available for issue under options which may be granted under the Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the issued share capital of the Company in issue as at the date of approval of the scheme unless Shareholders' approval has been obtained pursuant to paragraphs (b) and (c) below.

(b) The Company may seek approval by Shareholders in general meeting to refresh the limit as referred to in the above paragraph (a).

(c) The Company may seek separate Shareholders' approval in a general meeting to grant options beyond the limit as referred to in the above paragraph (a) provided that the total number of Shares subject to the scheme and any other schemes does not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

(d) Shareholders' approval has been obtained on 6 August 2002 to refresh the 10% limit. The Directors may grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing approximately 10% of the issued share capital as at the date of this announcement.

The maximum entitlement of each participant under the scheme

Unless approved by Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the Committee and will be no less than the highest of (a) the closing price of Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date which must be a business day, (b) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date and (c) the nominal value of the Share.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the 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:

					Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per share** *HK$*	**Balance as at 1 January 2005**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2005**
2 employees	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
17 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	12,040,000	(500,000)	(952,000)	10,588,000
4 employees	20 December 2002	20 December 2002 to 19 December 2006	20 December 2003 to 19 December 2012	0.79	2,230,000	(134,000)	(364,000)	1,732,000
Total: 23 employees					15,970,000	(634,000)	(1,316,000)	14,020,000

During the year ended 31 December 2005, 1,316,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.50.

During the year ended 31 December 2005, 634,000 options granted to two employees lapsed when they ceased their employment with the Group.

Save as disclosed above, no option has been cancelled during the period.

No option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the 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 scheme of a subsidiary of the Company

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan"). The following is a summary of the principal terms of the PHOENIXi Plan as at 31 December 2005:

Purpose of the scheme

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, to provide additional incentive to its employees and executive directors and to promote the success of its business.

The participants of the scheme

The employees of PHOENIXi, including any executive directors, in the full-time employment of PHOENIXi (or the subsidiaries of PHOENIXi) or the Company are eligible to take up options to subscribe for shares in PHOENIXi. In addition, to be classified as an eligible person, where the employee is employed by a holding company of PHOENIXi or a subsidiary of PHOENIXi, the employee must perform an executive role for PHOENIXi.

The total number of securities available for issue

(a) The total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi, must not in aggregate exceed 10% of the issued share capital of PHOENIXi as at the Listing Date unless approvals of the Shareholders of the Company and PHOENIXi have been obtained pursuant to paragraphs (b) and (c) below.

(b) PHOENIXi may seek approval by the Shareholders of the Company and PHOENIXi in a general meeting to refresh the 10% limit. However, the total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi in these circumstances must not exceed 10% of the issued share capital of PHOENIXi at the date of approval of the refreshing of the limit.

(c) PHOENIXi may seek separate approval of the Shareholders of the Company and PHOENIXi in a general meeting to grant options beyond the 10% limit provided that (i) the total number of shares subject to the PHOENIXi Plan and any other schemes of PHOENIXi does not in aggregate exceed 30% of the total issued share capital of PHOENIXi and (ii) the options in excess of the 10% limit are granted only to participants specified by PHOENIXi before such approval is sought.

The maximum entitlement of each participant under the scheme

No options may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of shares of PHOENIXi the subject of such option, when added to the number of shares already issued and/or issuable to him/her under the PHOENIXi Plan exceeding 25% of the aggregate number of shares of PHOENIXi in respect of which options are issuable under the PHOENIXi Plan.

Time of exercise of option

Generally, an option may be exercised at any time during a period of no more than ten years commencing from the date of grant. However, in the case of an Incentive Stock Option ("ISO") granted to a person, who at the time of the grant, owns shares in PHOENIXi representing more than 10% of the voting power of PHOENIXi, the Company or any subsidiary of the Company, the option period will be five years from the date of grant thereof.

Minimum holding period

As stated above, there is no minimum holding period for which an option can be exercised.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay US$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The price for the shares of PHOENIXi upon the exercise of an option under the PHOENIXi Plan will, in the case of:

(a) an ISO or a Non-Qualified Stock Option ("NQS"), where the grantee owns more than 10% of the shares of the Company, PHOENIXi or its subsidiaries (each a "Related Entity"), be equal to not less than 110% of the Fair Market Value (as referred to below) per share of PHOENIXi on the date of the grant.

(b) an ISO or NQS, where the grantee does not own more than 10% of the shares of PHOENIXi or a related entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(c) an option which is neither an ISO nor an NQS but where the grantee owns more than 10% of the shares of PHOENIXi or a related entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(d) an option which is neither an ISO nor an NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a related entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a Director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

For the purpose of the above “Fair Market Value” means as of any date, the value of shares of the Company, PHOENIXi or any subsidiary of PHOENIXi (as the case may be) determined as follows:

(i) where the shares of PHOENIXi are listed on any stock exchange, the fair market value shall be (a) no less than the higher of the closing price for a share on the date of the grant of an option which must be a business day, or (b) the average closing price of the share for the five business days immediately preceding the date of grant (the closing price shall be the price on the stock exchange on which the shares of PHOENIXi are listed) or (c) the nominal value of a share; or

(ii) in the absence of an established market for the shares of the type described in (i) above, the fair market value thereof shall be determined by the Committee in good faith on a fair and reasonable basis but in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations but in any event must in no circumstances be less than the latest audited net tangible assets per share of PHOENIXi unless none of the Directors or their associates of PHOENIXi or the Company participate in the Plan, in which event, reference does not need to be made to the latest audited net tangible asset per share of PHOENIXi for the purpose of determining the fair market value of the shares.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

As at 31 December 2005, no options had been granted under the PHOENIXi Plan.

DIRECTORS

The Directors during the year were:

Executive Directors:

LIU Changle	*(Alternate Director to CHUI Keung)*
CHUI Keung	*(Alternate Director to LIU Changle)*

Non-Executive Directors:

Michelle Lee GUTHRIE	*(Alternate Director to LAU Yu Leung, John and CHEUNG Chun On, Daniel)*
LAU Yu Leung, John	*(Alternate Director to CHEUNG Chun On, Daniel)*
CHEUNG Chun On, Daniel	*(Alternate Director to LAU Yu Leung, John)*
XU Gang	
CHEUNG San Ping	*(Alternate Director to LIU Changle and CHUI Keung)*

Independent Non-Executive Directors:

LO Ka Shui	
KUOK Khoon Ean	*(Resigned on 10 March 2005)*
LEUNG Hok Lim	*(Appointed on 21 January 2005)*
Thaddeus Thomas BECZAK	*(Appointed on 11 March 2005)*

Alternate Director:

GONG Jianzhong	*(Alternate Director to XU Gang)*

In accordance with Article 87(1) of the Company's articles of association, Dr. LO Ka Shui, Mr. CHEUNG Chun On, Daniel and Mr. LAU Yu Leung, John will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK, and as the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

On 10 September 2003, each of the executive directors of the Company has entered into a new service contract with the Company commencing from 1 July 2003. The term of each contract will be for a term of three years commencing from 1 July 2003 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

The terms of office of each of the executive directors, non-executive directors and independent non-executive directors are subject to retirement by rotation in accordance with the Company's articles of association.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2005, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by Directors, were as follows:

	Number of ordinary shares held					
Name	**Personal interest**	**Family interest**	**Corporate interest**	**Other interest**	**Total number of shares**	**Percentage of shareholding**
LIU Changle[1]	–	–	1,854,000,000	–	1,854,000,000	37.54%
LO Ka Shui[2]	3,200,000	–	–	–	3,200,000	0.06%

Note: Mr. LIU Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn has an interest in approximately 37.54% of the issued share capital of the Company as at 31 December 2005.

1 Being an Executive Director of the Company

2 Being an Independent Non-Executive Director of the Company

Save as disclosed herein, as at 31 December 2005, none of the Directors or chief executives of the Company, had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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 this report.

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 year 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.

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

As at 31 December 2005, the interest of the shareholders (not being Directors and the Chief Executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

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

Name of substantial shareholders	Number of shares	Percentage of shareholding
Xing Kong Chuan Mei Group Co., Ltd. *(Note 1)*	1,854,000,000	37.54%
Today's Asia Limited *(Note 2)*	1,854,000,000	37.54%

Notes:

1. Xing Kong Chuan Mei Group Co., Ltd. is a subsidiary of STAR Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of STAR Group Limited. News Publishers Investments Pty, Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty, Limited is a wholly-owned subsidiary of STAR LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is a wholly-owned subsidiary of News Publishing Australia Limited, which is an indirect wholly-owned subsidiary of News Corporation.

   By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty, Limited, News Cayman Holdings Limited, STAR Group Limited are all deemed to be interested in the 1,854,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd.

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

(ii) Long 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	8.34%

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, no other shareholders or other persons had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of programme purchases and sales for the year attributable to the Group's major suppliers and advertising end-customers are as follows:

	Year 2005	Year 2004
Programme purchases		
– the largest supplier	**18%**	12%
– five largest suppliers	**55%**	40%
Sales		
– the largest advertising end-customer	**2%**	2%
– five largest advertising end-customers	**8%**	10%

The film license fees paid/payable to STAR TV Filmed Entertainment Limited ("STAR Filmed") is not included in the above list of programme purchases suppliers. Details of the transactions between the Group and STAR Filmed are set out in note 32 to the financial statements. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as disclosed above, none of the directors, their associates, or any shareholder (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers mentioned above.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the financial statements also constituted connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 20 of the GEM Listing Rules. The following transactions between certain connected parties (as defined in the GEM Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

1. The following connected transactions with Satellite Television Asian Region Limited ("STARL"), STAR Filmed, ATV Enterprises Limited ("ATVE") and Asia Television Limited ("ATV") have been approved by resolutions of independent shareholders passed on 26 June 2003:

   (a) STARL is a subsidiary of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions are:

      (i) STARL provides technical and administrative services for the operations of the Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel. For the year ended 31 December 2005, the service charges paid/payable to STARL amounted to approximately HK$54,174,000 (2004: HK$52,917,000), which were calculated under the terms of the executed service agreement between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK$80,000,000 for each of the two years ending 30 June 2006 approved under the relevant resolutions.

      (ii) STARL acts as an agent to promote international subscription sales and marketing services for the Group. For the year ended 31 December 2005, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$2,864,000 (2004: HK$2,645,000), which was calculated based on 15% of the subscription fees generated and received by STARL on behalf of the Group. Such amount did not exceed the annual caps of HK$7,500,000 for the year ended 30 June 2005 and HK$10,000,000 for the year ended 30 June 2006 respectively approved under the relevant resolutions.

(iii) STARL acts as an exclusive advertising agent for the Group at all territories outside the People's Republic of China ("PRC"). For the year ended 31 December 2005, commission for advertising sales and marketing services paid/payable to STARL amounted to approximately HK$51,000 (2004: HK$944,000), which was calculated based on 4%-15% of the net advertising income generated and received by STARL on behalf of the Group after deducting the relevant amount of the third party agency fees incurred by it. Such amount did not exceed the annual cap of HK$20,000,000 for each of the two years ending 30 June 2006 approved under the relevant resolutions. Pursuant to a letter of termination dated 18 October 2004, STARL ceased to act as the advertising sales agent for the Group with effect from 30 September 2004 but will continue to provide services and receive commission in respect of advertising sales contracts concluded by STARL on behalf of the Group prior to its cessation or as specifically agreed by the parties.

(b) STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transaction relates to the granting of a non-exclusive license to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. For the year ended 31 December 2005, the film license fees paid/payable to STAR Filmed amounted to approximately HK$20,355,000 (2004: HK$20,337,000), which were charged according to the executed film rights license agreement between a subsidiary of the Company and STAR Filmed. Such amount did not exceed the annual cap of HK$23,000,000 for each of the two years ending 30 June 2006 approved under the relevant resolutions.

(c) ATVE, a wholly-owned subsidiary of ATV, is a connected party by virtue of the fact that Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively, of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2005. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. The connected transaction relates to the acquisition of certain television programme licenses from ATVE. For the year ended 31 December 2005, no programme license fees was paid/payable to ATVE (2004: HK$709,000), under the executed license agreement between a subsidiary of the Company and ATVE. Therefore, the annual cap of HK$15,000,000 for each of the two years ending 30 June 2006 approved under the relevant resolutions was not exceeded.

(d) A subsidiary of the Company entered into an agreement to provide technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) via EchoStar Satellite Corporation, a direct-to-home satellite television operator in the United States. For the year ended 31 December 2005, the service fees received/receivable from the provision of technical support services and equipment to ATV were approximately HK$1,278,000 (2004: HK$1,402,000), which were charged according to the executed service agreement between this subsidiary and ATV. Such amount did not exceed the annual cap of HK$2,000,000 for each of the two years ending 30 June 2006 approved under the relevant resolutions.

2. A subsidiary of the Company entered into an agreement with Fox News Network L.L.C. ("Fox"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions relate to:

(a) granting of non-exclusive and non-transferable license to subscribe for Fox's news service;

(b) leasing of office space and access to workspace, subject to availability; and

(c) 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.

For the year ended 31 December 2005, the service charges paid/payable to Fox amounted to approximately HK$3,782,000 (2004: HK$3,792,000), which were charged under the license agreement between this subsidiary and Fox. Such amount did not exceed the annual cap of HK$4,314,000 for the year ended 31 December 2005 approved under the relevant resolutions.

3. A 70% owned subsidiary of the Company entered into a transponder rental agreement and an electronic programme guide ("EPG") services agreement with British Sky Broadcasting Limited ("BSkyB"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. These connected transactions relate to the provision of transponder capacity, uplinking and MPEG encoding services and EPG services for Phoenix Chinese News and Entertainment Channel. For the year ended 31 December 2005, the transponder rental and uplink costs paid/payable to BSkyB amounted to approximately HK$2,771,000 (2004: HK$5,012,000), which were charged in accordance with the service agreements with BSkyB. Such amount did not exceed the annual cap of HK$6,600,000 for each of the two years ending 30 June 2005 approved by the independent shareholders on 6 August 2002.

4. A 70% owned subsidiary of the Company entered into an electronic programme guide ("EPG") services agreement with BSkyB, an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. This connected transaction relates to the provision of EPG services for Phoenix Chinese News and Entertainment Channel. For the four months ended 31 December 2005, the costs paid/payable to BSkyB amounted to approximately HK$393,000, which was charged in accordance with the service agreement with BSkyB. Such amount did not exceed the annual cap of HK$433,000 for the year ended 31 December 2005.

5. For the year ended 31 December 2005, news footage and data transmission services were provided by ATV to a subsidiary of the Company. The service charges paid/payable to ATV amounted to approximately HK$28,000 (2004: HK$790,000), which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.31 of GEM Listing Rules. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

6. On 30 October 2000, a subsidiary of the Company had entered into a license agreement with DIRECTV Inc. ("DIRECTV") for the non-exclusive distribution of Phoenix North America Chinese Channel via its direct broadcast service satellite – delivered television system in North America ("License Agreement"), which term had been extended by various letters until the end of 2004. DIRECTV is 34% indirectly owned by Fox. Fox is 100% owned by News Corporation, the ultimate holding company of Xing Kong Chuan Mei Group Co. Ltd., a substantial shareholder of the Company. On 1 March 2005, a subsidiary of the Company and DIRECTV signed a letter which extended the term of the License Agreement for four months from 1 January 2005 or until the First Amendment (as defined below) became effective, whichever is the earlier. Also on 1 March 2005, a subsidiary of the Company entered into an amendment agreement with DIRECTV ("First Amendment Agreement") pursuant to which the Group further granted DIRECTV the non-exclusive right to distribute Phoenix InfoNews Channel in addition to the Phoenix North America Chinese Channel and that the term of the License Agreement was further extended for another six months commencing from 5 March 2005. DIRECTV, which has the right to extend for a year after the expiry of the First Amendment, had chosen to extend the License Agreement on a monthly basis with the view to conclude new terms with the Group. On 25 January 2006, a subsidiary of the Company entered into another amendment agreement with DIRECTV ("Second Amendment Agreement") pursuant to which certain material terms of the License Agreement have been supplemented and/or amended and the term of the License Agreement has been extended for 3 years commencing from 25 January 2006. The Company has made an announcement in respect of these connected transactions with DIRECTV on 7 February 2006.

   For the year ended 31 December 2005, the license fee received/receivable from DIRECTV amounted to approximately HK$1,751,000 (2004: HK$2,309,000), which were charged in accordance with the License Agreement as amended by its subsequent amendment agreements. There was no annual cap for 2005 as no announcement was made at the material time after the execution of the First Amendment, details of such omission have been explained in the announcement of 7 February 2006.

7. A subsidiary of the Company entered into a sub-license agreement for the sub-licensing of certain programmes and a license agreement for the licensing of a television series with SGL Entertainment Limited ("SGL"), a wholly-owned subsidiary of Xing Kong Chuan Mei Group Co. Ltd., a substantial shareholder of the Company. For the year ended 31 December 2005, the license fees paid/payable to SGL amounted to approximately HK$546,000 (2004: HK$1,182,000), which were charged in accordance with the license agreement with SGL. These are connected transactions but fall within Rule 20.34 of GEM Listing Rules. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. The Company had made an announcement on 27 September 2004 in respect of the connected transactions with SGL.

   The independent non-executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

   (a) the transactions have been entered into by the relevant member of the Group in the ordinary and usual course of its business;

   (b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties; and

   (c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

COMPETING BUSINESS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests in approximately 37.54%, 37.54% and 8.34% of the share capital of the Company, respectively. Today's Asia Limited, together with its shareholders, Mr. LIU Changle and Mr. CHAN Wing Kee, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

Xing Kong Chuan Mei Group Co., Ltd., together with its ultimate parent company, News Corporation, are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, Canada, the United Kingdom, Australia, Latin America and the Pacific Basin include the production of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems; and the creation and distribution of popular on-line programming. Currently, STAR Group Limited, the holding company of Xing Kong Chuan Mei Group Co., Ltd., owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region and engages in programme licensing and advertising agency business throughout the world, including China. STAR Group Limited and its subsidiaries (including Xing Kong Chuan Mei Group Co., Ltd.) operate and broadcast a range of channels, such as STAR Movies and STAR Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. The broadcasting coverage of Channel [V] includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East. STAR Group Limited announced on 19 December 2001 that it was granted landing rights for a new 24-hour Mandarin – language general entertainment channel, Xing Kong Wei Shi, in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television Corporation ("CITVC"), Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited. STAR Group Limited further announced on 15 January 2003 that it has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7%, respectively, of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV, a Hong Kong based television broadcasting company. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2005. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

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

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 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 13 to the financial statements.

AUDIT COMMITTEE

The audit committee had reviewed the annual results and provided advice and comments thereon.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 14 March 2006

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 40 to 92 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005
(Amounts expressed in Hong Kong dollars)

	Note(s)	2005 $'000	2004 $'000 (Restated) (Note 2(v))
REVENUE	5	**1,034,768**	959,660
OPERATING EXPENSES	6, 32(i)	**(633,189)**	(675,061)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6, 32(i)	**(242,894)**	(146,063)
OTHER REVENUE			
Exchange gain, net	5	**13,997**	1,927
Interest income, net	5	**14,723**	6,486
Other income, net	5	**18,392**	9,105
PROVISION FOR IMPAIRMENT LOSS IN A JOINTLY CONTROLLED ENTITY	19	**(472)**	–
SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES	19	**(1,906)**	–
PROFIT BEFORE INCOME TAX		**203,419**	156,054
INCOME TAX EXPENSE	7	**(20,755)**	(4,826)
PROFIT FOR THE YEAR		**182,664**	151,228
ATTRIBUTABLE TO:			
Equity holders of the Company		**181,482**	150,494
Minority interests		**1,182**	734
		182,664	151,228
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR			
Basic earnings per share, *Hong Kong cents*	10	**3.67**	3.05
Diluted earnings per share, *Hong Kong cents*	10	**3.67**	3.04
Dividends	9	**59,264**	49,387

CONSOLIDATED BALANCE SHEET

As at 31 December 2005
(Amounts expressed in Hong Kong dollars)

	Note(s)	**2005** **\$'000**	2004 *\$'000* (Restated)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	16	**14,968**	18,402
Property, plant and equipment	17	**44,518**	54,869
Property deposit and development costs	18	**30,560**	62,515
Investments in jointly controlled entities	19	**9,594**	472
Financial assets at fair value through profit or loss	20	**65,971**	53,461
Long-term deposit	24	**31,018**	31,091
Deferred income tax assets	28	**963**	30
		197,592	220,840
Current assets			
Accounts receivable, net	12	**43,254**	98,397
Prepayments, deposits and other receivables	13	**367,945**	351,005
Inventories	14	**5,557**	8,751
Amounts due from related companies	15, 32(ii)	**1,232**	507
Self-produced programmes		**3,760**	10,652
Purchased programme and film rights, net, current portion	16	**5,141**	11,665
Profits tax recoverable		**–**	384
Financial assets at fair value through profit or loss	20	**23,758**	–
Cash and cash equivalents	23	**513,364**	380,391
		964,011	861,752
Total assets		**1,161,603**	1,082,592

	Note(s)	**2005**	2004
		$'000	*$'000*
			(Restated)
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**493,867**	493,680
Reserves	27	**505,220**	369,968
		999,087	863,648
Minority interests		**8,019**	6,837
Total equity		**1,007,106**	870,485
Non-current liabilities			
Deferred income tax liabilities	28	**963**	30
Current liabilities			
Accounts payable, other payables and accruals	22	**95,948**	165,078
Deferred income		**47,572**	38,914
Amounts due to related companies	15, 32(ii)	**4,900**	8,085
Profits tax payable		**5,114**	–
		153,534	212,077
Total liabilities		**154,497**	212,107
Total equity and liabilities		**1,161,603**	1,082,592
Net current assets		**810,477**	649,675
Total assets less current liabilities		**1,008,069**	870,515

Approved by the Board of Directors on 14 March 2006 and signed on behalf of the Board by

LIU Changle	**Michelle Lee GUTHRIE**
Director	*Director*

BALANCE SHEET

As at 31 December 2005
(Amounts expressed in Hong Kong dollars)

	Note	**2005** **$'000**	2004 $'000
ASSETS			
Non-current asset			
Interests in subsidiaries	21	**1,232,543**	1,276,312
Current assets			
Cash and cash equivalents	23	**1,972**	6,302
Total assets		**1,234,515**	1,282,614
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**493,867**	493,680
Reserves	27	**740,494**	788,780
Total equity		**1,234,361**	1,282,460
LIABILITY			
Current liability			
Other payables and accruals		**154**	154
Total liability		**154**	154
Total equity and liability		**1,234,515**	1,282,614

Approved by the Board of Directors on 14 March 2006 and signed on behalf of the Board by

LIU Changle
Director

Michelle Lee GUTHRIE
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005
(Amounts expressed in Hong Kong dollars)

	Note(s)	**Capital and reserves attributable to Company's equity holders** *$'000*	**Minority interests** *$'000*	**Total** *$'000*
Balance at 1 January 2004		706,420	6,103	712,523
Exchange differences arising on translation of the financial statements of foreign subsidiaries	27	1,325	–	1,325
Exercise of share options	2, 25, 26, 27	5,409	–	5,409
Profit for the year		150,494	734	151,228
Balance at 31 December 2004		863,648	6,837	870,485
Balance at 1 January 2005		863,648	6,837	870,485
Exchange differences arising on translation of the financial statements of foreign subsidiaries	27	1,383	–	1,383
Exercise of share options	2, 25, 26, 27	1,961	–	1,961
Dividends relating to 2004	9	(49,387)	–	(49,387)
Profit for the year		181,482	1,182	182,664
Balance at 31 December 2005		**999,087**	**8,019**	**1,007,106**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005
(Amounts expressed in Hong Kong dollars)

	Note(s)	2005 $'000	2004 $'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**216,476**	80,882
Interest received		**13,937**	6,489
Income from long-term deposit		**786**	–
Hong Kong taxation paid		**(14,986)**	(10,794)
Overseas taxation paid		**(271)**	(355)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**215.942**	76,222
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in property deposit and development costs		**(1,246)**	(1,395)
Purchase of property, plant and equipment	17	**(15,878)**	(16,761)
Purchase of programme and film rights	16	**(16,083)**	(20,414)
Investment in a jointly controlled entity	19	**(11,500)**	–
Proceeds from disposal of property, plant and equipment	17	**85**	179
Proceeds from partial disposal of property deposit interest	18	**37,792**	–
Purchase of financial assets at fair value through profit or loss		**(206,768)**	(84,411)
Proceeds from disposal of financial assets at fair value through profit or loss		**171,898**	29,986
Income from financial assets at fair value through profit or loss		**4,747**	1,822
Interest paid		**–**	(3)
NET CASH USED IN INVESTING ACTIVITIES		**(36,953)**	(90,997)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	25, 26	**1,961**	5,409
Dividends paid to Company's equity holders	9	**(49,387)**	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(47,426)**	5,409
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**131,563**	(9,366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**380,391**	388,869
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,410**	888
CASH AND CASH EQUIVALENTS AT END OF YEAR		**513,364**	380,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Phoenix Satellite Television Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards, and interpretations of HKAS (together "HKFRSs") below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives

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

- HKAS 1 – Presentation of Financial Statements has impacted the presentation of the following notable elements in the Group's consolidated financial statements:

  - Minority interests are presented within equity on the face of the consolidated balance sheet while it was presented outside of equity previously.

  - Movement of minority interests is included in the consolidated statement of changes in equity while this was not required previously.

  - Allocation of profit/(loss) attributable to minority interests and equity holders of the Company is disclosed on the face of the consolidated income statement after profit for the year while the allocation to minority interests was previously disclosed as a separate line item before arriving at profit attributable to the equity holders of the Company.

- HKAS 24 – Related Party Disclosures has expanded the definition of related parties to include key management of the Group (see Note 32(iii)).

- The adoption of HKFRS 2 – Share-based Payments has resulted in a change in accounting policy for employee share options. Under HKFRS 2, the Group is required to determine the fair value of all share-based payments to employees as remuneration and recognise an expense in the income statement. This treatment results in a reduction in profit as such items have not been recognised as expenses under the previous accounting policy. Under the specific transitional provisions of HKFRS 2, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7 November 2002 and had not yet vested by 1 January 2005 and to liabilities arising from share-based payment transactions existing on 1 January 2005. The Directors consider the adoption of HKFRS 2 does not have material impact on the consolidated financial statements and accordingly, no adjustments have been recorded to reflect the impact of applying HKFRS 2 in the accompanying financial statements.

  Had the adjustments on application of HKFRS 2 been applied, the Group's opening accumulated deficits at 1 January 2004 and 2005 would increase by approximately HK$560,000 and HK$840,000, respectively, in accounting for the previously unrecognised employee share-based compensation expenses. Net profit for the year ended 31 December 2004 and 2005 of the Group would decrease and accumulated deficit as at 31 December 2004 and 2005 of the Group would increase by approximately HK$280,000 and HK$160,000, respectively.

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

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

  A "Certificate of deposit" which was carried at historical cost at 31 December 2004 was recorded in "long-term deposit" in the consolidated balance sheet on the Group's adoption of HKAS 39 on 1 January 2005. Under HKAS 39, the Group is required to state this long-term deposit at amortised cost, which is arrived at using the effective interest method, less provision for impairment and to adjust to the retained earnings of the Group at 1 January 2005 the effect of measuring this asset at amortised cost using the effective interest rate method without restating comparative balances as at 31 December 2004. The Directors consider the adoption of HKAS 39 with respect to this long-term deposit does not have material impact on the consolidated financial statements and accordingly, did not record any adjustment to reflect the impact of applying HKAS 39 on "long-term deposit" in the accompanying financial statements.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly to the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries and amount due from a subsidiary are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity.

Investments in jointly controlled entities are denominated in Renminbi and the net assets values are translated at the closing rate at the date of that balance sheet. The share of profits/(losses) of the jointly controlled entities are translated at the average exchange rates for equity accounting. All resulting exchange difference are recognised as a separate component of equity.

(e) Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, furniture and fixtures, broadcast operations and other equipment and motor vehicles. They are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	15% or over the terms of the leases
Furniture and fixtures	15% – 20%
Broadcast operations and other equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(i)).

(f) Property deposit and development costs

Property deposit and development costs are carried at cost. They are not depreciated until such time the property is ready for its intended use.

(g) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. The cost of purchased programme and film rights is expensed in the income statement either on the first and second showing of such purchased programme and film rights or amortised over the license period if the license allows multiple showings within the license period.

Purchased programme and film rights with a remaining license period of twelve months or less are classified as current assets.

(h) Self-produced programmes

Self-produced programmes represent programmes under production and are stated at cost less provision for diminution. Cost comprises direct production expenditures and an appropriate portion of production overheads. Programmes in production that are abandoned are written off in the income statement immediately, or when the revenue to be generated by these programmes is determined to be lower than originally budgeted, the cost is written down to a realisable value. Completed programmes will be broadcast over a short period of time and their costs are expensed in the income statement in accordance with a formula computed to write off the cost over the broadcast period.

(i) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries and jointly controlled entities, as other investments.

Other investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of these investments were recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

From 1 January 2005 onwards:

The Group classifies its investments into "financial assets at fair value through profit or loss", and "loans and receivables". The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if the financial asset is so designated by management at inception.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for assets with maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in long-term deposit, accounts receivable and prepayments, deposits and other receivables in the balance sheet (Note 2(l)).

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using the most applicable valuation techniques feasible to the Group. This could include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(k) Inventories

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Long-term deposit, accounts receivable and prepayments, deposits and other receivables

Long-term deposit, accounts receivable and prepayments, deposits and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(n) Deferred income

Deferred income represents advertising revenue and subscription revenue received in advance from third party customers.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the income statement represent contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are expensed in the income statement as incurred.

(iv) Share-based compensation

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Revenue recognition

Revenue mainly represents income from advertising sales, net of the related agency commission expenses, and subscription sales after eliminating sales within the Group.

Revenue is recognised as follows:

(i) Broadcasting advertising revenue

Broadcasting advertising revenue, net of agency commission expenses, is recognised upon the broadcast of advertisements.

(ii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis to the income statement. The unamortised portion is classified as deferred income.

(iii) Magazine advertising revenue

Magazine advertising revenue net of commission expense is recognised when the magazine is published.

(iv) Magazine subscription/circulation revenue

Magazine subscription or circulation revenue represents subscription or circulation money received or receivable from customers and is recognised when the respective magazine is dispatched or sold.

(v) Sales of decoder devices and satellite receivers

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vi) Interest income and income from long-term deposit

Interest income from bank deposits and income from long-term deposit are recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(t) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(u) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

(v) Change in accounting policy and restatement of comparatives

Prior to the fourth quarter of 2005, the Group reported its advertising (broadcasting and magazines) revenue and the agency commission expenses on a gross basis. Subsequent to third quarter of 2005, the Group changed the presentation of its advertising revenue by reporting the advertising (broadcasting and magazines) revenue net of related agency commission expenses, as in the opinion of the Directors, this presentation improves the Group's comparability with similar companies in the same industry and provide more relevant information on the revenue transactions. This change has no effect on the income statement of the Group. As a result of this change which has been retroactively applied, the revenue and operating expenses for the current year and the comparative figures for 2004 have been reduced by approximately HK$166,575,000 and HK$153,388,000 for the years ended 31 December 2005 and 2004, respectively.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is mainly carried out by the finance department (the "Finance Department") headed by the Chief Financial Officer of the Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollar, US dollar and Renminbi to the extent possible. The Group currently does not hedge transactions undertaken in RMB but manages its exposure through constant monitoring to limit as mush as possible the amount of its RMB exposures. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for monitoring and managing the net position in each foreign currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations, such as those in the People's Republic of China (the "PRC"), the United Kingdom and the United States (the "US") is managed primarily through operating liabilities denominated in the relevant foreign currencies.

(b) Price risk

The Group is exposed to unlisted equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss, for which management adopts the indicative market value provided by the issuers as their best estimate of the fair values. The Group is not exposed to commodity price risk. For further details, see Note 20.

(ii) Credit risk

The Group has no significant concentrations of credit risk of its financial assets and liabilities. The credit risk related to accounts receivable, prepayments, deposits and other receivables, financial assets at fair value through profit or loss and long-term deposit are set out in Note 12, 13, 20 and 24 respectively.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Department aims to maintain flexibility in funding by keeping committed banking facilities available. Details of cash and cash equivalents and banking facilities are set out in Note 23 and 30 respectively.

(iv) Cash flow and fair value interest rate risk

As the Group has interest-bearing assets comprising cash and cash equivalents and financial assets at fair value through profit or loss, the Group's income and operating cash flows can be affected by changes in market interest rates.

The Group's interest-rate risk and cash flow interest-rate risk primarily arise from bank deposits. Bank deposits placed at variable rates expose the Group to cash flow interest-rate risk whereas those placed at fixed rates expose the Group to fair value interest-rate risk. The Finance Department's policy is to maintain an appropriate level between fixed-rate and floating-rate deposits. At the year end, 20% of bank deposits were at fixed rates.

(b) Fair value estimation

The fair value of financial assets at fair value through profit or loss that are not openly traded is determined with reference to indicative market values provided by issuers (Note 20).

The nominal value less estimated credit adjustments of accounts receivable and accounts payable are assumed to approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax payable based on estimates of the potential tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Please also refer to Note 7 for the detail in the Group's PRC tax exposure.

(ii) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectibility of accounts receivable from each customer. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment trend including subsequent payments and customers' financial position.

(b) Critical judgements in applying the Group's accounting policies

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group adopted the indicative market value provided by the issuers as their best estimate of the fair values of these financial instruments (Note 20). The Group considered that it would be more practicable to benchmark the values of those financial assets at fair value through profit or loss to the indicative market value provided by the issuer of these financial instruments rather than selecting another valuation method with similar assumptions. The Group considered that the indicative market value provided by the issuers of these financial instruments was prepared based on a financial valuation model and can be relied on.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in satellite television broadcasting activities. An analysis of the Group's revenue by nature is as follows:

	2005	2004
	$'000	*$'000*
		(Restated)
		(Note 2(v))
Revenue		
Advertising sales	**937,825**	878,083
Subscription sales	**38,973**	41,920
Magazine advertising and subscription or circulation sales	**19,786**	13,412
Others	**38,184**	26,245
	1,034,768	959,660
Other revenue		
Exchange gain, net	**13,997**	1,927
Interest income, net	**13,937**	6,486
Income from long-term deposit	**786**	–
Sales of programmes	**768**	1,494
Fair value gain on financial assets at fair value through profit or loss (realised and unrealised)	**6,424**	858
Gain from partial disposal of property deposit and development costs *(Note 18)*	**11,599**	–
Others, net	**(399)**	6,753
	47,112	17,518
Total revenues	**1,081,880**	977,178

Primary reporting format – business segments

The Group is organised into four main business segments including:

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

(ii) Programme production and ancillary services;

(iii) Internet services – provision of website portal; and

(iv) Other activities – merchandising services, magazine publication and distribution, and other related services.

	Year ended 31 December 2005					
	Television broadcasting *$'000*	Programme production and ancillary services *$'000*	Internet services *$'000*	Other activities *$'000*	Inter–segment elimination *$'000*	Group *$'000*
Revenue						
External sales	**976,797**	**3,991**	**6,581**	**47,399**	**–**	**1,034,768**
Inter-segment sales	**–**	**28,808**	**–**	**–**	(28,808)	**–**
Total revenue	**976,797**	**32,799**	**6,581**	**47,399**	**(28,808)**	**1,034,768**
Segment results	**281,610**	**3,489**	**(6,221)**	**205**	**–**	**279,083**
Unallocated expenses *(Note a)*						**(73,286)**
Profit before provision for impairment, share of results of jointly controlled entities, income tax and minority interests						**205,797**
Provision for impairment loss in a jointly controlled entity						**(472)**
Share of losses of jointly controlled entities						**(1,906)**
Income tax expense						**(20,755)**
Profit for the year						**182,664**
Minority interests						**(1,182)**
Profit attributable to equity holders of the Company						**181,482**
Segment assets *(Note b)*	**78,278**	**86,025**	**28,008**	**8,243**	**–**	**200,554**
Unallocated assets						**961,049**
Total assets						**1,161,603**
Segment liabilities *(Note c)*	**(27,118)**	**(3,778)**	**(11,959)**	**(9,822)**	**–**	**(52,677)**
Unallocated liabilities						**(101,820)**
Total liabilities						**(154,497)**
Capital expenditure *(Note d)*	**(7,070)**	**(1,276)**	**(2,232)**	**(299)**	**–**	**(10,877)**
Unallocated capital expenditure						**(5,001)**
						(15,878)
Depreciation	**(21,431)**	**(3,801)**	**(919)**	**(30)**	**–**	**(26,181)**
Impairment of purchased programme and film rights	**(3,380)**	**–**	**–**	**–**	**–**	**(3,380)**
Impairment of inventories	**–**	**–**	**–**	**(3,257)**	**–**	**(3,257)**
Provision for impairment of receivables	**(106,177)**	**–**	**–**	**–**	**–**	**(106,177)**
Amortisation of purchased programme and film rights	**(22,325)**	**–**	**–**	**–**	**–**	**(22,325)**

	Year ended 31 December 2004					
	Television broadcasting *$'000*	Programme production and ancillary services *$'000*	Internet services *$'000*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue (Restated) *(Note 2(v))*						
External sales	920,002	3,407	6,295	29,956	–	959,660
Inter-segment sales	–	23,812	–	–	(23,812)	–
Total revenue	920,002	27,219	6,295	29,956	(23,812)	959,660
Segment results	274,477	1,733	(2,450)	430	–	274,190
Unallocated expenses *(Note a)*						(118,136)
Profit before income tax and minority interests						156,054
Income tax expense						(4,826)
Profit for the year						151,228
Minority interests						(734)
Profit attributable to equity holders of the Company						150,494
Segment assets *(Note b)*	105,723	41,528	25,824	7,214	–	180,289
Unallocated assets						902,303
Total assets						1,082,592
Segment liabilities *(Note c)*	(36,593)	(1,762)	(15,288)	(10,361)	–	(64,004)
Unallocated liabilities						(148,103)
Total liabilities						(212,107)
Capital expenditure *(Note d)*	10,436	1,455	785	–	–	12,676
Unallocated capital expenditure						4,085
						16,761
Depreciation	(19,557)	(4,396)	(694)	(2)	–	(24,649)
Provision for impairment of receivables	(22,960)	–	–	–	–	(22,960)
Amortisation of purchased programme and film rights	(23,169)	–	–	–	–	(23,169)

Note:

(a) Unallocated expenses represent primarily:

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

(b) Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash.

(c) Segment liabilities comprise operating liabilities.

(d) Capital expenditure comprises additions to property, plant and equipment.

Secondary reporting format – geographical segments

	Year ended 31 December 2005		
	Revenue *$'000*	**Total assets** *$'000*	**Capital expenditure** *$'000*
The People's Republic of China (including Hong Kong)	**956,182**	**1,119,743**	**10,782**
United States	**41,151**	**24,073**	**1,240**
Europe	**12,547**	**13,045**	**232**
Others	**24,888**	**4,742**	**3,624**
	1,034,768	**1,161,603**	**15,878**

	Year ended 31 December 2004 (Restated) *(Note 2(v))*		
	Revenue *$'000*	Total assets *$'000*	Capital expenditure *$'000*
The People's Republic of China (including Hong Kong)	895,598	1,037,382	10,364
United States	30,477	27,325	6,267
Europe	10,878	15,937	99
Others	22,707	1,948	31
	959,660	1,082,592	16,761

Revenue is based on the country in which the customer is located. Total assets and capital expenditure are based on the country where the assets are located.

6. EXPENSES BY NATURE

Expenses included in operating expenses and selling, general and administrative expenses are analysed as follows:

	2005	2004
	$'000	*$'000*
Amortisation of purchased programme and film rights	**22,325**	23,169
Production costs of self-produced programmes	**91,710**	91,095
Transponder rental *(Note 32(i)(b), (o))*	**16,368**	16,627
Provision for impairment of receivables	**106,177**	22,960
Employee benefit expenses		
(including Directors' emoluments) *(Note 11)*	**242,207**	220,798
Operating lease rental in respect of		
– Directors' quarters	**1,185**	923
– land and buildings of third parties	**15,567**	13,179
Cost of inventories sold	**566**	1,363
Depreciation expenses	**26,181**	24,649
Loss on disposal of property, plant and equipment	**–**	108
Auditors' remuneration	**2,230**	1,837
Impairment of purchased programme and film rights	**3,380**	–
Impairment of inventories	**3,257**	–

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005	2004
	$'000	*$'000*
Current income tax		
– Hong Kong profits tax	**21,379**	5,705
– Overseas taxation	**271**	355
– Over-provision of Hong Kong profits tax in the prior year	**(895)**	(1,234)
Deferred income tax *(Note 28)*	**–**	–
	20,755	4,826

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fee collected from Shenzhou Television Company Ltd. ("Shenzhou") in the PRC (Note 13) (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

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

	2005	2004
	$'000	*$'000*
Profit before income tax	**203,419**	156,054
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**35,598**	27,309
Income not subject to taxation	**(13,925)**	(7,027)
Expenses not deductible for taxation purposes	**8,925**	13,431
Tax losses not recognised	**6,389**	5,946
Utilisation of previously unrecognised tax losses	**(15,202)**	(33,444)
Provision for overseas operations	**271**	355
Over-provision in the prior year	**(895)**	(1,234)
Others	**(406)**	(510)
Tax expense	**20,755**	4,826

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$673,000 (2004: HK$437,000).

9. DIVIDENDS

The 2004 final dividends paid during the year ended 31 December 2005 were HK$49,387,000 (HK$0.01 per share). A dividend in respect of 2005 of HK$0.012 per share, amounting to a total dividend of HK$59,264,000 estimated based upon the number of outstanding shares of approximately 4,938,666,000 as at 31 December 2005, is to be proposed by the Directors at a Board of Directors meeting to be held on 14 March 2006. These financial statements do not reflect this dividend payable.

	2005	2004
	$'000	*$'000*
Proposed final dividend of HK$0.012 (2004: HK$0.01) per share	**59,264**	49,387

10. 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 year.

	2005	2004
Profit attributable to equity holders of the Company *($'000)*	**181,482**	150,494
Weighted average number of ordinary shares in issue *('000)*	**4,938,340**	4,934,946
Basic earnings per share *(Hong Kong cents)*	**3.67**	3.05

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.

	2005	2004
Profit attributable to equity holders of the Company used to determine diluted earnings per share *($'000)*	**181,482**	150,494
Weighted average number of ordinary shares in issue *('000)*	**4,938,340**	4,934,946
Adjustment for share options *('000)*	**8,680**	12,204
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,947,020**	4,947,150
Diluted earnings per share *(Hong Kong cents)*	**3.67**	3.04

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	$'000	*$'000*
Wages, salaries and other allowances	**231,305**	210,232
Unutilised annual leave	**75**	347
Pension costs – defined contribution plans, net of forfeited contributions *(Note a)*	**10,827**	10,219
	242,207	220,798

(a) Pensions – defined contribution plans

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans at various funding rates of the employees' salaries. The assets of these schemes are generally held in separate trustee administered funds.

(i) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2005, the aggregate amount of the employer's contributions was approximately HK$10,808,000 (2004: HK$10,014,000) and the total amount of forfeited contributions was approximately HK$1,210,000 (2004: HK$859,000).

The assets of the scheme are held separately from those of the Group and are managed by independent professional fund managers.

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Group and each of the employees make monthly contribution to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$20,000 for each employee. For those employees with monthly relevant income less than HK$5,000, since 1 February 2003, the employees' contributions are voluntary.

For the year ended 31 December 2005, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,281,000 (2004: HK$1,148,000) and the total amount of forfeited contributions was approximately HK$52,000 (2004: HK$84,000).

(ii) Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or set up their own Schemes whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the consolidated income statement as incurred.

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Quarters and housing allowance	Employer's contribution to pension scheme	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
1. LIU Changle	–	4,701	1,600	864	434	7,599
2. CHUI Keung	–	1,925	800	948	178	3,851
3. Michelle Lee GUTHRIE	–	–	–	–	–	–
4. LAU Yu Leung, John	–	–	–	–	–	–
5. CHEUNG Chun On, Daniel	–	–	–	–	–	–
6. LO Ka Shui	200	–	–	–	–	200
7. KUOK Khoon Ean (resigned on 10 March 2005)	38	–	–	–	–	38
8. CHEUNG San Ping	–	–	–	–	–	–
9. XU Gang	–	–	–	–	–	–
10. GONG Jianzhong	–	–	–	–	–	–
11. LEUNG Hok Lim (appointed on 21 January 2005)	189	–	–	–	–	189
12. Thaddeus Thomas BECZAK (appointed on 11 March 2005)	162	–	–	–	–	162

As of 31 December, 2005, Mr. LIU Changle had outstanding share options to purchase 5,320,000 (2004: 5,320,000) shares at HK$1.08 per share and Mr. CHUI Keung had outstanding share options to purchase 3,990,000 (2004: 3,990,000) shares at HK$1.08 per share. No options were exercised during 2005 and the fair values of these options have not been included in the directors' emoluments disclosed above. The above outstanding share options had vested as at 31 December 2005.

The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Quarters and housing allowance	Employer's contribution to pension scheme	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
1. LIU Changle	–	4,477	1,800	923	413	7,613
2. CHUI Keung	–	1,834	1,000	902	169	3,905
3. Michelle Lee GUTHRIE	–	–	–	–	–	–
4. LAU Yu Leung, John	–	–	–	–	–	–
5. CHEUNG Chun On, Daniel	–	–	–	–	–	–
6. LO Ka Shui	200	–	–	–	–	200
7. KUOK Khoon Ean	200	–	–	–	–	200
8. CHEUNG San Ping	–	–	–	–	–	–
9. XU Gang	–	–	–	–	–	–
10. GONG Jianzhong	–	–	–	–	–	–

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2005 include two (2004: two) Executive Directors whose emoluments are reflected in the analysis presented in (b) above. The emoluments paid/payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	$'000	*$'000*
Salaries	**5,227**	5,077
Discretionary bonus	**2,400**	3,000
Housing allowance	**2,781**	2,539
Other allowance	**435**	423
Pension fund	**523**	509
	11,366	11,548

The emoluments of the remaining three (2004: three) individuals fell within the following bands:

	Number of individuals	
Emolument bands	**2005**	2004
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**–**	2
HK$4,000,001 – HK$4,500,000	**1**	1

During the year, no emoluments or incentive payments were paid or payable to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office (2004: Nil).

12. ACCOUNTS RECEIVABLE, NET

	2005	2004
	$'000	*$'000*
Accounts receivable	**170,319**	136,505
Less: Provision for impairment of receivables	**(127,065)**	(38,108)
	43,254	98,397

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising air-time and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (see Note 13). The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

The ageing analysis of the accounts receivable from customers is as follows:

	2005	2004
	$'000	*$'000*
0-30 days	**19,031**	23,642
31-60 days	**12,623**	16,280
61-90 days	**1,701**	10,800
91-120 days	**9,046**	13,163
Over 120 days	**127,918**	72,620
	170,319	136,505
Less: Provision for impairment of receivables	**(127,065)**	(38,108)
	43,254	98,397

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$106,177,000 (2004: HK$22,960,000) for the impairment of its accounts receivable during the year ended 31 December 2005. The loss has been included in selling, general and administrative expenses in the consolidated income statement.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$299,805,000 (2004: HK$314,763,000) 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 interests 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 to our trust arrangement with Shenzhou, therefore the extent of the enforceability of such 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 Directors are of the opinion that the amount owing from Shenzhou of approximately HK$299,805,000 as at 31 December 2005 is fully recoverable and no provision is required.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

14. INVENTORIES

	2005	2004
	$'000	*$'000*
Decoder devices and satellite receivers	**5,557**	8,751

The cost of inventories recognised as expense and included in other income, net, amounted to HK$566,000 (2004: HK$1,363,000).

15. AMOUNTS DUE FROM/TO RELATED COMPANIES

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand (2004: same).

The carrying amounts of amounts due from/to related companies approximate their fair values.

16. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	2005	2004
	$'000	*$'000*
Balance, beginning of year	**30,067**	33,392
Additions	**16,083**	20,414
Amortisation	**(22,325)**	(23,169)
Impairment loss	**(3,380)**	–
Others	**(336)**	(570)
Balance, end of year	**20,109**	30,067
Less: Purchased programme and film rights – current portion	**(5,141)**	(11,665)
	14,968	18,402

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *$'000*	Furniture and fixtures *$'000*	Broadcast operations and other equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
At 1 January 2004					
Cost	18,472	2,784	96,602	6,219	124,077
Accumulated depreciation	(8,151)	(1,368)	(48,960)	(2,991)	(61,470)
Net book amount	10,321	1,416	47,642	3,228	62,607
Year ended 31 December 2004					
Opening net book amount	10,321	1,416	47,642	3,228	62,607
Exchange differences	91	46	289	11	437
Additions	4,429	60	9,377	2,895	16,761
Disposals	(111)	(12)	(57)	(107)	(287)
Depreciation	(3,131)	(434)	(19,780)	(1,304)	(24,649)
Closing net book amount	11,599	1,076	37,471	4,723	54,869
At 31 December 2004					
Cost	**22,824**	**2,913**	**106,613**	**8,764**	**141,114**
Accumulated depreciation	**(11,225)**	**(1,837)**	**(69,142)**	**(4,041)**	**(86,245)**
Net book amount	**11,599**	**1,076**	**37,471**	**4,723**	**54,869**
Year ended 31 December 2005					
Opening net book amount	**11,599**	**1,076**	**37,471**	**4,723**	**54,869**
Exchange differences	**(96)**	**(20)**	**46**	**43**	**(27)**
Additions	**1,419**	**7**	**13,076**	**1,376**	**15,878**
Disposals	**–**	**–**	**(6)**	**(15)**	**(21)**
Depreciation	**(3,717)**	**(427)**	**(20,465)**	**(1,572)**	**(26,181)**
Closing net book amount	**9,205**	**636**	**30,122**	**4,555**	**44,518**
At 31 December 2005					
Cost	**24,120**	**2,842**	**119,612**	**9,916**	**156,490**
Accumulated depreciation	**(14,915)**	**(2,206)**	**(89,490)**	**(5,361)**	**(111,972)**
Net book amount	**9,205**	**636**	**30,122**	**4,555**	**44,518**

Depreciation expense of HK$26,181,000 (2004: HK$24,649,000) has been included in selling, general and administrative expenses.

18. PROPERTY DEPOSIT AND DEVELOPMENT COSTS

On 11 June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)[1] to acquire a land use right on a parcel of land situated in Shenzhen, the PRC for the development of a building (which includes a production centre) for the Group. The total consideration for the acquisition was approximately HK$57,354,000.

During the year ended 30 June 2002, the subsidiary transferred the interest of the land use right to another subsidiary, 深圳鳳凰置業有限公司, a sino-foreign co-operation company incorporated in the PRC, in which Phoenix Real Properties Limited ("Real Properties"), then a wholly-owned subsidiary of the Group had a 90% equity interest.

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 had been paid to 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)[1] as the cost of the land acquisition, and was recorded as a property deposit of the Group as at 30 June 2003.

Pursuant to an agreement dated 29 October 2003 entered into by the Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity acquired 60% interest in Real Properties, which owns 90% interest in 深圳鳳凰置業有限公司 (the "Agreement"). The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Group, under which it charged 30% equity interest in Real Properties, as security provided to the Group for the due performance of its obligations under the Agreement. According to the Agreement Oasiscity will be responsible for providing all required financing for the development of the building and the fulfillment of such obligation has been guaranteed by Neo-China Group (Holdings) Limited. The Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area of the building on completion of the development. The carrying value as at 31 December 2004 amounted to approximately HK$62,515,000, comprising property deposits of approximately HK$61,120,000 and renovation costs of approximately HK$1,395,000.

On 12 May 2005, the Group and Oasiscity entered into a supplementary agreement (the "Supplementary Agreement"), pursuant to which the Group transferred its entitlement to 10,000 square meters of the non-saleable area of the building currently under construction to Oasiscity for RMB60,000,000 (equivalent to approximately HK$55,800,000) payable in 3 installments and Oasiscity would also be allotted an additional 33 shares in Real Properties at par value so that after the allotment Oasiscity should hold approximately 70% interest therein. The Group's entitlement to the relevant portion of the non-saleable area of the building will then be reduced to 10,000 square meters after this transaction. A gain, after providing for estimated taxes, arising from this transfer of approximately HK$11,599,000 has been recorded in the income statement. In addition, the charge on the 30% equity interest owned by Oasiscity granted to the Group under the Agreement was released.

As a result of the Supplementary Agreement, Real Properties issued 33 new shares to Oasiscity on 12 May 2005 and the shareholdings in Real Properties of the Group and Oasiscity are 30% and 70%, respectively, as at 31 December 2005.

The Directors are of the opinion that the Group's entitlement to the non-saleable area on completion of the development is expected to have a value of not less than the current carrying value of approximately HK$30,560,000 as at 31 December 2005 and that the remaining proceeds receivable from Oasiscity of approximately HK$19,192,000 as at 31 December 2005 are fully recoverable and therefore no provision is required.

[1] name translated for reference only

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2005	2004
	$'000	*$'000*
Unlisted investments, at cost, beginning of the year	**472**	472
Addition on formation of a jointly controlled entity	**11,500**	–
Unlisted investments, at cost, end of the year	**11,972**	472
Less: provision for impairment	**(472)**	–
Less: share of jointly controlled entities' results		
– loss before taxation	**(1,906)**	–
– taxation	**–**	–
Unlisted investments, net, end of the year	**9,594**	472

Details of the jointly controlled entities as at 31 December 2005 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	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB26,700,000

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

	2005	2004
	$'000	*$'000*
Assets		
Non-current assets	**457**	–
Current assets	**22,002**	886
	22,459	886
Liabilities		
Long-term liabilities	**–**	–
Current liabilities	**97**	–
	97	–
Net assets	**22,362**	886
Income	**–**	27
Expenses	**(4,351)**	(70)
Loss after income tax	**(4,351)**	(43)

On 5 August 2004, the Group signed an agreement with 北京廣播公司 to form a sino-foreign joint venture, 北京同步廣告傳播有限公司, in the PRC. Pursuant to the agreement, upon obtaining all necessary approvals and licenses from the relevant authorities in the PRC, the Group would have to inject approximately HK$12,900,000 (equivalent to RMB13,500,000) for a 45% shareholding interest in this joint venture. As at 31 December 2005, the outstanding capital injection for this investment amounted to HK$1,439,000 (equivalent to RMB1,500,000) which is required to be made before 4 August 2007.

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005	2004
	$'000	*$'000*
Unlisted equity-linked notes at fair value	**89,729**	53,461
Less: Non-current portion	**(65,971)**	(53,461)
	23,758	–

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 recorded in other income in the income statement (Note 5).

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

21. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY, NET

	Company	
	2005	2004
	$'000	*$'000*
Unlisted shares, at cost *(Note i)*	**–**	–
Amount due from a subsidiary, net *(Note ii)*	**1,232,543**	1,276,312
	1,232,543	1,276,312

Notes:

(i) Details of subsidiaries as at 31 December 2005 were as follows:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	Hong Kong, limited liability company	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands, limited liability company	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Satellite Television (Europe) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
PCNE Holdings Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	70%	US$1,000
Phoenix Chinese News & Entertainment Limited	The United Kingdom, limited liability company	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Satellite Television Information Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
PHOENIXi Investment Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	94.3%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PHOENIXi, Inc.	The United States of America, limited liability company	The United States of America	Dormant	94.3%	US$0.1
Phoenix Satellite Television (B.V.I.) Holding Limited *(Note a)*	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Weekly Magazine (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Development Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
國鳳在線（北京）信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited	PRC, limited liability company	PRC	Internet services	94.3%	US$500,000
鳳凰影視（深圳）有限公司 Phoenix Film and Television (Shenzhen) Company Limited	PRC, limited liability company	PRC	Ancillary services for programme production	60%	HK$10,000,000
Phoenix Satellite Television (Universal) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (U.S.) Inc.	The United States of America, limited liability company	The United States of America	Provision of management and promotional related services	100%	US$1

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Programme production	100%	US$1
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Dormant	100%	US$1
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
Phoenix Glow Limited	British Virgin Islands, limited liability company	British Virgin Islands	Provision of agency services	100%	US$1
深圳市梧桐山電視廣播有限公司 Shenzhen Wutong Shan Television Broadcasting Limited	PRC, limited liability company	PRC	Programme production	54%	RMB5,000,000
Phoenix Global Television Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
鳳凰在線（北京）信息技術有限公司 Fenghuang On-line (Beijing) Information Technology Company Limited *(Note b)*	PRC, limited liability company	PRC	Internet services	100%	US$1,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Dormant	100%	HK$1

(a) Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

(b) On 20 December 2005, the Group set up a wholly-owned subsidiary, 鳳凰在綫(北京)信息技術有限公司, with a registered capital of US$1,850,000 (equivalent to HK$14,346,000) in the PRC. The business scope of the subsidiary is the provision of internet services. 15% of the registered capital, amounting to US$278,000 (equivalent to HK$2,156,000) shall be injected by the Group within three months from the date of issue of the business license of the subsidiary on 20 December 2005 and the remaining amount of US$1,572,000 (equivalent to HK$12,190,000) shall be paid within one year from the said date. Subsequent to year end, a capital contribution of US$1,850,000 was made by the Group.

(ii) Amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

(iii) The Company has undertaken to provide necessary financial resources to support the future operations of the subsidiaries. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2005.

22. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2005	2004
	$'000	*$'000*
Accounts payable	**10,780**	11,615
Other payables and accruals	**85,168**	153,463
	95,948	165,078

The ageing analysis of the accounts payable is as follows:

	2005	2004
	$'000	*$'000*
0-30 days	**5,730**	6,851
31-60 days	**1,828**	2,711
61-90 days	**907**	468
91-120 days	**457**	343
Over 120 days	**1,858**	1,242
	10,780	11,615

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**105,413**	75,556	**1,972**	6,302
Short-term bank deposits	**407,951**	304,835	**–**	–
	513,364	380,391	**1,972**	6,302

The effective interest rate on short-term bank deposits was 2.63% (2004: 1.23%); these deposits have an average maturity of 53 days.

24. LONG-TERM DEPOSIT

Long-term deposit represented the certificate of deposit placed with the bank which will be mature in October 2007 and is stated at the amortised cost.

The carrying amount of the long-term deposit approximated to the fair value (2004: N/A).

25. SHARE CAPITAL

	2005		2004	
	Number of shares	**Amount**	Number of shares	Amount
		$'000		*$'000*
Authorised:				
Ordinary share of $0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of year	**4,936,796,000**	**493,680**	4,931,730,000	493,173
Exercise of share options	**1,870,000**	**187**	5,066,000	507
End of year	**4,938,666,000**	**493,867**	4,936,796,000	493,680

26. SHARE OPTIONS

The Company has several share option schemes under which it may grant options to employees of the Group (including Executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Details of the adoption of HKFRS 2 are set out in Note 2(a).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average exercise price in HK$ per share	**Options *'000***	Average exercise price in HK$ per share	Options *'000*
At 1 January	**1.11**	**56,942**	1.10	62,256
Exercised	**1.05**	**(1,870)**	1.07	(5,066)
Lapsed	**1.06**	**(694)**	1.08	(248)
At 31 December	**1.11**	**54,378**	1.11	56,942

As at 31 December 2005, out of the 54,378,000 outstanding options (2004: 56,942,000 options), 53,946,000 options (2004: 53,392,000) were exercisable. Options exercised in 2005 resulted in 1,870,000 shares (2004: 5,066,000 shares) being issued at HK$1.05 each (2004: HK$1.07 each). The related weighted average share price at the time of exercise was HK$1.48 (2004: HK$1.45) per share.

Share options outstanding (in '000) at the end of the year have the following expiry date and exercise prices:

	Exercise price	**Share options**	
Expiry date	*HK$ per share*	**2005**	2004
13 June 2010	1.08	**40,358**	40,972
14 February 2011	1.99	**1,700**	1,700
9 August 2011	1.13	**10,588**	12,040
19 December 2012	0.79	**1,732**	2,230
		54,378	56,942

27. RESERVES

Group

Movements in reserves of the Group during the year were as follows:

	Share premium *$'000*	Exchange reserve *$'000*	Accumulated deficit *$'000*	Total *$'000*
At 31 December 2003	824,839	879	(612,471)	213,247
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	1,325	–	1,325
Exercise of share options	4,902	–	–	4,902
Profit for the year	–	–	150,494	150,494
At 31 December 2004	829,741	2,204	(461,977)	369,968
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**1,383**	**–**	**1,383**
Exercise of share options	**1,774**	**–**	**–**	**1,774**
Profit for the year	**–**	**–**	**181,482**	**181,482**
Dividends paid relating to 2004	**(49,387)**	**–**	**–**	**(49,387)**
At 31 December 2005	**782,128**	**3,587**	**(280,495)**	**505,220**

Company

Movements in the reserves of the Company during the year were as follows:

	Share premium *$'000*	Accumulated deficit *$'000*	Total *$'000*
At 31 December 2003	824,839	(40,524)	784,315
Exercise of share options	4,902	–	4,902
Loss for the year	–	(437)	(437)
At 31 December 2004	829,741	(40,961)	788,780
Exercise of share options	**1,774**	**–**	**1,774**
Loss for the year	**–**	**(673)**	**(673)**
Dividends paid relating to 2004	**(49,387)**	**–**	**(49,387)**
At 31 December 2005	**782,128**	**(41,634)**	**740,494**

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to equity holders. As at 31 December 2005, in the opinion of the Directors, the Company's reserves available for distribution to equity holders, comprising the share premium account and accumulated deficit, amounted to approximately HK$740,494,000 (2004: HK$788,780,000).

28. DEFERRED INCOME TAX

Deferred taxation for the year ended 31 December 2005 is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$433,000,000 as at 31 December 2005 (2004: HK$496,000,000) to carry forward against future taxable income. Included in the unrecognised tax losses, approximately HK$423,000,000 (2004: HK$485,000,000) have no expiry date and the remaining balance will expire at various dates up to and including 2025.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	**Accelerated tax depreciation**		**Purchased programme and film rights**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
At the beginning of the year	**30**	60	**–**	683	**30**	743
Charged/(credited) to the consolidated income statement	**933**	(30)	**–**	(683)	**933**	(713)
At the end of the year	**963**	30	**–**	–	**963**	30

Deferred income tax assets	**Tax losses**		**Accelerated tax depreciation**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
At the beginning of the year	**(3,263)**	(3,547)	**3,233**	2,804	**(30)**	(743)
Charged/(credited) to the consolidated income statement	**2,300**	284	**(3,233)**	429	**(933)**	713
At the end of the year	**(963)**	(3,263)	**–**	3,233	**(963)**	(30)

29. CASH GENERATED FROM OPERATIONS

Reconciliation of profit from operations to net cash inflow from operating activities

	2005	2004
	$'000	*$'000*
Profit before income tax	**203,419**	156,054
Depreciation of property, plant and equipment	**26,181**	24,649
Amortisation of purchased programme and film rights and other charges	**26,041**	23,739
Provision for impairment of inventories	**3,257**	–
Provision for impairment of receivables	**106,177**	22,960
(Gain)/loss on disposal of property, plant and equipment	**(64)**	108
Provision for impairment loss in a jointly controlled entity	**472**	–
Share of losses of jointly controlled entities	**1,906**	–
Interest income, net	**(14,723)**	(6,486)
Other income, net	**(30,134)**	(858)
Increase in accounts receivable	**(51,034)**	(88,919)
Decrease/(increase) in prepayments, deposits and other receivables	**2,531**	(73,354)
Increase in long-term deposit	**–**	(31,091)
(Increase)/decrease in inventories	**(63)**	436
Increase in amounts due from related companies	**(725)**	(284)
Decrease in self-produced programmes	**6,892**	685
(Decrease)/increase in accounts payable, other payables and accruals	**(69,130)**	68,646
Increase/(decrease) in deferred income	**8,658**	(13,506)
Decrease in amounts due to related companies	**(3,185)**	(1,897)
CASH GENERATED FROM OPERATIONS	**216,476**	80,882

30. BANKING FACILITIES

As at 31 December 2005, the Group had banking facilities amounting to approximately HK$18,407,000 (2004: HK$18,700,000) of which approximately HK$12,600,000 (2004: HK$12,600,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2005, deposits of approximately HK$3,407,000 (2004: HK$3,700,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

31. COMMITMENTS

(a) Programme and film rights acquisition

As at 31 December 2005, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$53,902,000 (2004: HK$74,373,000) of which all (2004: 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:

	2005	2004
	$'000	*$'000*
Not later than one year	**20,295**	20,343
Later than one year and not later than five years	**33,607**	54,030
	53,902	74,373

(b) Service charges

As at 31 December 2005, the Group had total committed service charges payable to Satellite Television Asian Region Limited ("STARL") and Fox News Network L.L.C ("Fox") of approximately HK$20,912,000 (2004: HK$62,741,000) and HK$5,225,000 (2004: HK$8,580,000) in respect of a service agreement expiring on 30 June 2006 and 25 July 2007, respectively. Total committed service charges payable to STARL and Fox are analysed as follows:

	2005	2004
	$'000	*$'000*
Not later than one year	**24,246**	45,122
Later than one year and not later than five years	**1,891**	26,199
	26,137	71,321

As at 31 December 2005, the Group had committed service fee receivable from Asia Television Limited ("ATV") of approximately HK$637,000 (2004: HK$1,953,000) in respect of the provision of technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) in the US. Total future minimum service fees receivable are analysed as follows:

	2005	2004
	$'000	*$'000*
Not later than one year	**637**	1,302
Later than one year and not later than five years	**–**	651
	637	1,953

(c) Operating lease

As at 31 December 2005, the Group had rental commitments of approximately HK$18,401,000 (2004: HK$32,062,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2005	2004
	$'000	*$'000*
Not later than one year	**7,367**	12,647
Later than one year and not later than five years	**9,771**	16,181
Later than five years	**1,263**	3,234
	18,401	32,062

(d) Other commitments

As at 31 December 2005, the Group had other operating commitments of approximately HK$20,887,000 (2004: HK$17,416,000) under various agreements as follows:

	2005	2004
	$'000	*$'000*
Not later than one year	**11,510**	14,159
Later than one year and not later than five years	**9,377**	3,257
	20,887	17,416

32. RELATED PARTY TRANSACTIONS

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

	Notes	**2005** **$'000**	2004 *$'000*
Service charges paid/payable to STARL	a, b	**54,174**	52,917
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**51**	944
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**2,864**	2,645
Sales of decoder devices to STARL	a, e	**–**	64
Film license fees paid/payable to STAR Filmed	a, f	**20,355**	20,337
Purchase of broadcast operations and engineering equipment from STARL	a, g	**–**	98
Programme license fees paid/payable to Asia Television Enterprise Limited ("ATVE")	h, i	**–**	709
Service charges paid/payable to ATV	h, j	**28**	790
Service charges received/receivable from ATV	h, k	**1,278**	1,402
Service charges paid/payable to Fox	l, m	**3,782**	3,792
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	n, o	**3,164**	5,012
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	p, q	**1,751**	2,309
Programme license fees to SGL Entertainment Limited ("SGL")	a, r	**546**	1,182
Key management compensation	iii	**25,605**	26,015

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 covering a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 29 May 2003. The summary of the terms of the service agreement is set out in the section headed "New Star Services Agreement" of the circular of the Company dated 10 June 2003 (the "Circular"). Either fixed fees or variable fees are charged depending on the type of services utilised.

(c) The commission for advertising sales and marketing services paid/payable to STARL is based on 4%-15% (2004: 15%) of the net advertising income generated and received by it on behalf of the Group after deducting the relevant amount of the third party agency fees.

(d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2004: 15%) of the subscription fees generated and received by it on behalf of the Group.

(e) Sales of decoder devices to STARL are charged based on terms mutually agreed upon between both parties.

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

(g) Purchases of broadcast operations and engineering equipment from STARL are charged in accordance with the equipment purchase agreement.

(h) ATVE is a wholly-owned subsidiary of ATV which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owns approximately 46% of ATV as at 31 December 2005. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2005. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

(i) 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. The summary of the terms of the agreement are set out in the section headed "ATV Programme Licensing Agreement" of the Circular.

(j) 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.

(k) 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.

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

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

- granting of non-exclusive and non-transferable license to subscribe for Fox's news service;
- leasing of office space and access to workspace, subject to availability; and
- accessing Fox's camera hook up at the United Nations, interview positions in various places in the US and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

(n) BSkyB is 36.3% owned by News Holdings Limited (formerly known as The News Corporation Limited) ("NHL") which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(o) 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.

(p) DIRECTV is 34% indirectly owned by Fox. Fox is an associate of Xing Kong Chuan Mei Group Co. Ltd., a substantial equity holder of the Company.

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

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

(ii) Year end balances arising from related parties transactions as disclosed in Note 32(i) above were as follows:

	2005 $'000	2004 $'000
Amounts due from related companies	**1,232**	507
Amounts due to related companies	**(4,900)**	(8,085)

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

	2005 $'000	2004 $'000
Salaries	**13,499**	12,787
Discretionary bonuses	**5,800**	7,300
Quarters and housing allowance	**5,062**	4,748
Pension fund	**1,244**	1,180
	25,605	26,015

CONSOLIDATED RESULTS

	Year ended 31 December 2005	Year ended 31 December 2004	Six months ended 31 December 2003	Year ended 30 June 2003	Year ended 30 June 2002
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Results					
Revenue*	**1,034,768**	959,660	304,030	615,462	591,670
Operating expenses*	**(633,189)**	(675,061)	(280,001)	(566,730)	(616,327)
Selling, general and administrative expenses	**(242,894)**	(146,063)	(68,608)	(142,065)	(140,356)
Other income/(expenses), net	**44,734**	17,518	7,958	21,631	(29,216)
Profit/(loss) before taxation and minority interests	**203,419**	156,054	(36,621)	(71,702)	(194,229)
Taxation	**(20,755)**	(4,826)	(2,559)	(3,811)	(3,141)
Profit/(loss) before minority interests	**182,664**	151,228	(39,180)	(75,513)	(197,370)
Minority interests	**(1,182)**	(734)	314	3,150	(2,346)
Profit/(loss) attributable to equity holders of the Company	**181,482**	150,494	(38,866)	(72,363)	(199,716)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			As at 30 June	
	2005	2004	2003	2003	2002
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Total assets	**1,161,603**	1,082,592	878,039	932,603	997,806
Total liabilities	**(154,497)**	(212,107)	(165,516)	(180,563)	(171,054)
Minority interests	**(8,019)**	(6,837)	(6,103)	(6,832)	(9,982)
Capital and reserves attributable to the Company's equity holders	**999,087**	863,648	706,420	745,208	816,770

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have year end on 31 December and determine their advertising budgets and operate on a calendar year basis.

As a result of the change of financial year end from 30 June to 31 December, the consolidated results and consolidated assets and liabilities have shown two different financial year end.

* *Due to the change of accounting policy in 2005 on the presentation of "Advertising Revenues", relevant figures were restated the change had no effect on the profit or loss of the Group. Please refer to Note 2(v) to the financial statements for details.*

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

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