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 2006

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 Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2006 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

- Revenue for the year ended 31 December 2006 was 2.2% higher than the previous year, reaching approximately HK$1,057,667,000.

- The increase in revenue generated an annual profit attributable to equity holders of approximately HK$212,385,000, which was an 17.0% improvement over the profit achieved in 2005.

- 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$0.014 per share.

RESULTS

The Group's revenue for 2006 increased 2.2% over that of 2005, which in fact consolidated the major turn-around that the Group achieved in 2004 after several loss-making years. Profit attributable to equity holders reached a record high.

The Group's revenue for the year ended 31 December 2006 was approximately HK$1,057,667,000, which represented a moderate growth of 2.2% as compared with 2005. Total operating costs remained at a steady level, with a marginal decrease of 1.1% to approximately HK$866,813,000. The major fluctuation in the operating costs was the increase of programming costs, but this was offset by the reduction of doubtful debt provision.

The Group's profit from operations and profit attributable to equity holders for the 2006 financial year were approximately HK$190,854,000 and HK$212,385,000 respectively. These figures represented improvements of approximately HK$32,169,000 and HK$30,903,000 respectively over the 2005 financial year. During 2006 the Group recognized a deferred tax asset amounting to approximately HK$13,900,000, which provided a one-off boost to the Group's income.

The chart presented below compares the Group's performance for the year ended 31 December 2006 with that for the 2005 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**722,697**	749,650
Phoenix InfoNews Channel	**223,550**	165,186
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**68,575**	61,962
Other businesses	**42,845**	57,970
Group's total revenue	**1,057,667**	1,034,768
Operating costs	**(866,813)**	(876,083)
Profit from operations	**190,854**	158,685
Profit attributable to equity holders of the Company	**212,385**	181,482*
Earnings per share, Hong Kong cents	**4.30**	3.67

* *This figure included the one-off gain from the disposal of 50% of Phoenix's interest in the property in Shenzhen, which amounted to approximately HK$12,000,000 in the second quarter of 2005, and an unexpected increase in other revenue of approximately HK$10,000,000 in the third quarter of 2005 that resulted from the upward movement of the Renminbi against the Hong Kong dollar in July 2005.*

BUSINESS OVERVIEW AND PROSPECTS

The Phoenix Group's basic television business continued to perform well. The Phoenix Chinese Channel, which is still the core component of the Group, has maintained its position by featuring a wide array of entertainment and information programmes, ranging from talk shows and interviews through to human-interest stories about the personal hardships people can face in a time of very rapid economic and social change, that cater to the tastes of the Chinese-speaking audience in mainland China and beyond. Phoenix Chinese Channel revenue decreased slightly compared with the previous year, but this decrease was more than compensated by a significant jump in the income of InfoNews, which achieved a record high in 2006.

InfoNews continues to be the outstanding broadcaster of international news in the Chinese-language market, and makes a major contribution to the Phoenix brand name, underscoring Phoenix's reputation for a global outlook and real-time information.

During this period, InfoNews provided comprehensive coverage of breaking international news, including real-time coverage of the continuing violence in Iraq, the Israeli incursion into Lebanon, where a team of Phoenix reporters did on-the-spot reports on the fighting, the Iranian nuclear programme, and the North Korean missile launches and nuclear test. Phoenix also followed key China-related stories, such as President Hu Jintao's visit to the United States, the meeting of the Shanghai Cooperation Organisation, which brings together China, Russia and the four main countries of Central Asia, and Kim Jong-il's unpublicised visit to China. Phoenix did extensive reporting on Taiwan, including on the mass protests aimed at removing Chen Shui-bian from office, which were rarely mentioned by any other Chinese-language television services broadcasting to the mainland Chinese audience.

Phoenix placed special emphasis on China/United States relations at the time of President Hu Jintao's visit to the United States. Phoenix interviewed the then Deputy-Secretary of State Robert Zoellick, held discussion programmes with a number of American commentators including former Secretary of State Henry Kissinger, and together with the Brookings Institution organised a forum on China/U.S relations that featured a range of experts on China/U.S. relations.

Phoenix celebrated its tenth anniversary on 31 March 2006 with a spectacular event at Hong Kong AsiaWorld-Expo. This occasion provided an opportunity to showcase both Phoenix's capacity for entertainment, and its concern with social issues and international developments. A number of Hong Kong celebrities, including Jackie Chan, Andy Lau and Eric Tseng, took part, as did a range of government and religious figures, along with people who had witnessed some of the worst events of recent years, including the terrorist attack on New York's World Trade Center and the Biselan massacre in southern Russia.

Phoenix further consolidated its global reach in 2006, and began broadcasting to the two major regions that previously had no access to Phoenix programming. The North American Channel and InfoNews both began to broadcast across South America on the SATMEX-6 satellite in April, and InfoNews began to be carried on TELSTAR-12 in May, which enabled it to reach South Africa, where a sizeable Chinese minority had previously been unable to receive Phoenix. The Group strengthened its already well-established position in South-East Asia, reaching an agreement with the largest Philippines cable operator, Sky Cable, to begin carrying both the Chinese Channel and InfoNews in May this year.

The unique position that Phoenix occupies in the global Chinese-speaking world was exemplified by Phoenix Satellite Television's sponsorship and hosting of the International Academy Day in Beijing in August, which was held by the New York-based International Academy of Television Arts and Sciences.

In September, the Group entered into an agreement with Freescale Semiconductor Hong Kong Limited to acquire a site in Tai Po, Hong Kong, in order to provide more spacious premises to cope with the future expansion of the Group's business and operational activities. The Group will take over the Tai Po site in late May 2007 and plans to move in after the refitting is completed in late 2007 or early 2008. The transaction is not expected to have any material impact on the liquidity of the Group.

While the Group's television business continued to generate a profit it has also been exploring ways to expand its access to the Chinese market. As a consequence the Group's shareholding changed in August, when China Mobile (Hong Kong) Group Limited acquired a 19.9% interest in the Group from Xing Kong Chuan Mei Group Co., Ltd., and China Mobile Limited entered into a strategic agreement with Phoenix to jointly develop, market and distribute wireless content, products, services and new media applications. This agreement creates a framework for Phoenix to cooperate with China's largest telecommunications operator, thereby enabling the Group to have direct access to China Mobile's network and provide content for China Mobile once mainland telecommunications companies begin to provide 3G services.

The Chinese television market continues to undergo many changes, as mainland television companies increasingly compete for the Chinese market by developing innovative programming, but the Group's management remains confident that it can maintain its position as the main Mandarin Chinese-language television broadcaster that is based outside mainland China.

The Group's performance throughout 2006 has shown improvement over the previous year, providing evidence to support the assessment that the major turn-around in commercial results that Phoenix achieved in 2004 and continued to enjoy in 2005 will persist. The Chinese economy remains buoyant, and should remain a steady source of advertising revenue. At the same time Phoenix is exploring other outlets for its content in order to ensure that the effort it invests in producing new and innovative programming generates the maximum financial returns possible. The management believes that the Group's business will remain solid for the foreseeable future.

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of the Group's businesses for the year ended 31 December 2006 and 2005 respectively.

	Year ended 31 December	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**370,715**	353,569
Phoenix InfoNews Channel	**33,245**	(12,573)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(58,612)**	(60,495)
Other businesses	**(8,887)**	(3,760)
Corporate overheads	**(145,607)**	(118,056)**
Profit from operations	**190,854**	158,685

** *Corporate overheads in 2005 included a non-recurring write back of an over-provision for commission expenses which amounted to approximately HK$8,000,000.*

Revenues from television broadcasting, comprising both advertising and subscription revenues, which accounted for 95.9% of the Group's total revenue for the year ended 31 December 2006, increased by 3.9% to approximately HK$1,014,822,000 (year ended 31 December 2005: HK$976,797,000). The segmental result for television broadcasting recorded a profit of approximately HK$351,549,000 for the year ended 31 December 2006 (year ended 31 December 2005: 281,610,000).

Revenue from the Group's flagship channel, Phoenix Chinese Channel, which accounted for 68.3% of the Group's total revenue for the year ended 31 December 2006, marginally decreased by 3.6% to approximately HK$722,697,000 (year ended 31 December 2005: H$749,650,000).

Phoenix InfoNews Channel's revenue accounted for 21.1% of the Group's total revenue for the year ended 31 December 2006, and increased by 35.3% to approximately HK$223,550,000 (year ended 31 December 2005: HK$165,186,000).

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased 10.7% as compared to the year ended 31 December 2005 to approximately HK$68,575,000.

Revenue from programme production and ancillary services decreased to approximately HK$26,498,000, which included intra-group sales of approximately HK$24,584,000, for the year ended 31 December 2006 (year ended 31 December 2005: total revenue HK$32,799,000; intra-group sales – HK$28,808,000).

The revenue of the internet services increase to HK$13,490,000 with a segmental profit of HK$894,000.

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 2006.

The increase in corporate overheads was mainly attributable to the advertising and promotional costs incurred in celebrating the 10th anniversary of Phoenix earlier last year.

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

DIVIDEND

The Board has decided to recommend a final dividend of HK$0.014 per ordinary share for the year ended 31 December 2006 (2005: HK$0.012 per ordinary share). Upon approval by the shareholders, the final dividend will be paid on or about 30 June 2007 to shareholders whose names appear on the register of members of the Company on 21 June 2007.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2006 gradually improved compared to those of the Group as at 31 December 2005. The aggregate outstanding borrowings of the Group as at 31 December 2006 were approximately HK$4,743,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 31 December 2005: HK$4,900,000). Such fluctuation was within the normal pattern of operations of the Group.

As at 31 December 2006, the Group had an outstanding purchase price of approximately HK$96,720,000 payable under a sale and purchase agreement with Freescale Semiconductor Hong Kong Limited whereby the Group agreed to purchase a property located in the Tai Po Industrial Estate in Hong Kong from the said Freescale Semiconductor Hong Kong Limited. In accordance with the requirements of the Hong Kong Science and Technology Parks Corporation, which operates and manages the Tai Po Industrial Estate, the Group shall complete installation of new machinery and equipment with a value of not less than HK$105,000,000 at the property within 48 months from 31 May 2007.

The gearing ratio of the Group, based on total liabilities to equity attributable to equity holders of the Company, was 23.0% as at 31 December 2006 (as at 31 December 2005: 15.5%). 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 are considered to be minimal.

CHARGE ON ASSETS

As at 31 December 2006, deposits of approximately HK$3,907,000 (as at 31 December 2005: HK$3,407,000) 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 2006 and 31 December 2005.

CAPITAL STRUCTURE

During the year ended 31 December 2006, other than the exercise of share options granted (detail as per note 27 to the financial statements), there was no change in the Company's share capital. As at 31 December 2006, the Group's operations were mainly by equity holders' equity.

STAFF

As at 31 December 2006, the Group employed 742 full-time staff (31 December 2005: 710), 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 2006 increased to approximately HK$263,418,000 (year ended 31 December 2005: HK$242,207,000).

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2006, the Group invested in certain unlisted security investments with an estimated fair market value of approximately HK$141,300,000 (as at 31 December 2005: HK$89,729,000). Save as disclosed above, the Group has not held any significant investment for the year ended 31 December 2006.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

As at 31 December 2006, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

Other than disclosed in note 32 to the financial statements, the Group had no material contingent liabilities as at 31 December 2006 and 31 December 2005.

CORPORATE GOVERNANCE REPORT

The Company is 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

On 26 December 2005, the Company has adopted its own Code on Corporate Governance which combined its existing principles and practices with most of the mandatory provisions of the Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (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 2006, 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 (collective, the "Group"). He has been both chairman and chief executive officer of the Company since its incorporation. The management considers that there is no imminent need to change the arrangement.

APPOINTMENTS, RE-ELECTION AND REMOVAL

Code Provisions

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

Deviation and its Reasons

Apart from the executive directors, no other directors 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.

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 2006.

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 three 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 2006. Individual attendance of each Board member at these meetings is as follows:

Name of Director		**Attended/ Eligible to attend**
Executive Directors		
Mr. LIU Changle *(Chairman & CEO)*		4/4
Mr. CHUI Keung		4/4
Mr. WANG Jiyan	(appointed on 29 September 2006)	1/1
Non-executive Directors		
Ms. Michelle Lee GUTHRIE	(resigned on 29 September 2006)	3/3
Mr. LAU Yu Leung, John		3/4
Mr. CHEUNG Chun On, Daniel	(resigned on 29 September 2006)	3/3
Mr. XU Gang	(resigned on 12 January 2007)	0/4
Mr. CHEUNG San Ping	(resigned on 29 September 2006)	0/3
Mr. LU Xiangdong	(appointed on 29 September 2006)	0/1
Mr. GAO Nianshu	(appointed on 29 September 2006)	1/1
Mr. Paul Francis AIELLO	(appointed on 29 September 2006)	0/1
Independent Non-executive Directors		
Dr. LO Ka Shui		3/4
Mr. LEUNG Hok Lim		4/4
Mr. Thaddeus Thomas BECZAK		3/4

During 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 2006. Individual attendance of each committee member at these meetings is as follows:

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

The audit committee reviewed the Group's audited results for the year ended 31 December 2006 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 specific remuneration packages of all executive Directors and senior management staff of the Company.

The remuneration committee now comprises two non-executive Directors, namely Mr. GAO Nianshu and 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 2006, the remuneration committee recommended to the Board 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' RESPONSIBILITIES 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. In 2006, the Board has conducted a review with the management of the effectiveness of the system of internal control of the Company and its subsidiaries and considered that the internal control system is effective.

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 2006 *HK$*	31 December 2005 *HK$*
Audit Service	**2,410,000**	2,230,000
Tax Service	**186,000**	458,000
Total	**2,596,000**	2,688,000

INVESTOR RELATIONS

The chairman of the Company and the chairman of the audit committee were available at the annual general meeting held on 22 June 2006 ("AGM") to answer questions raised by shareholders of the Company. A new set of articles of association of the Company has also been adopted at the AGM to incorporate the changes promulgated by the new GEM Listing Rules.

The Board puts a high regard on investor relationship in particular, fair disclosure and comprehensive and transparent reporting of the Group's performance and activities.

In 2006, the management of the Company has enhanced communications and relations with the investors and potential investors through the Company's website at www.phoenixtv.com and a professional investor relation website at www.irasia.com/listco/hk/phoenixtv/index.htm.

CONCLUSION

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

REPORT OF DIRECTORS

The 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 2006.

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 23 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 37.

The Directors recommend the payment of a final dividend of HK$0.014 per ordinary share, totaling HK$69,190,000, to be payable to shareholders whose names appear on the register of members of the Company on 21 June 2007.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Movements in the reserves of the Company during the year are set out in note 29 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$8,000 (2005: HK$1,249,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 18 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 27 and note 28, 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 2006, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$683,307,000 (as at 31 December 2005: HK$740,494,000).

FIVE PERIOD/YEARS 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 pages 92 to 93.

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 2006:

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:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1 January 2006	Lapsed during the year	Exercised during the year	Balance as at 31 December 2006
3 Executive Directors:								
LIU Changle	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI Keung	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
WANG Jiyan (Note)	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
71 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	27,058,000	(1,084,000)	(2,134,000)	23,840,000
Total: 74 employees					40,358,000	(1,084,000)	(2,134,000)	37,140,000

Note: Mr. WANG Jiyan was appointed as an executive director of the Company with effect from 29 September 2006.

During the year ended 31 December 2006, 2,134,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.29.

During the year ended 31 December 2006, 1,084,000 options granted to two employees lapsed when they ceased their employments with the Group.

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

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 2006:

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 9.98% of the issued share capital as at the date of this report.

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:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share	Number of share options: Balance as at 1 January 2006	Lapsed during the year	Exercised during the year	Balance as at 31 December 2006
				HK$				
1 employee	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	1,700,000	(1,200,000)	–	500,000
15 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	10,588,000	(398,000)	(1,066,000)	9,124,000
4 employees	20 December 2002	20 December 2002 to 19 December 2006	20 December 2003 to 19 December 2012	0.79	1,732,000	–	(260,000)	1,472,000
Total: 20 employees					14,020,000	(1,598,000)	(1,326,000)	11,096,000

During the year ended 31 December 2006, 1,326,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.22.

During the year ended 31 December 2006, 1,598,000 options granted to two employees lapsed when the employees ceased 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 2006:

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 2006, no options had been granted under the PHOENIXi Plan.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

LIU Changle	(alternate director to CHUI Keung)
CHUI Keung	(alternate director to LIU Changle)
WANG Jiyan	(alternate director to LIU Changle and CHUI Keung and appointed on 29 September 2006)

Non-Executive Directors:

Michelle Lee GUTHRIE	(resigned on 29 September 2006)
LU Xiangdong	(appointed on 29 September 2006)
GAO Nianshu	(appointed on 29 September 2006)
Paul Francis AIELLO	(alternate director to LAU Yu Leung, John and appointed on 29 September 2006)
LAU Yu Leung, John	(alternate director to Paul Francis AIELLO)
CHEUNG Chun On, Daniel	(resigned on 29 September 2006)
CHEUNG San Ping	(resigned on 29 September 2006)
XU Gang	(resigned on 12 January 2007)
GONG Jianzhong	(resigned as alternate director to XU Gong and appointed on 12 January 2007)

Independent Non-Executive Directors:

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK

In accordance with Article 87(1) of the Company's articles of association, Mr. CHUI Keung and Mr. LEUNG Hok Lim 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 29 June 2006, Mr. LIU Changle and Mr. CHUI Keung entered into a new service contract with the Company commencing from 1 July 2006. The term of each contract will be for a term of three years commencing from 1 July 2006 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 (other than the chairman of the board of Directors), non-executive directors and independent non-executive directors of the Company 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 subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2006, 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 such Directors or chief executives are taken or deemed to have under such provisions of the SFO) or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Name	Personal interest	Family interest	Corporate interest	Other interest	Total number of shares	Percentage of shareholding
	Number of ordinary shares held					
LIU Changle[1]	–	–	1,854,000,000	–	1,854,000,000	37.51%
LO Ka Shui[2]	4,630,000	–	–	–	4,630,000	0.09%

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 37.51% of the issued share capital of the Company as at 31 December 2006.

1 Being an executive director of the Company

2 Being an independent non-executive director of the Company

Save as disclosed herein, so far as the Directors are aware, as at 31 December 2006, none of the Directors and chief executives of the Company had any interest or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives are taken or deemed to have under such provisions of the SFO), or 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 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 2006, 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
Today's Asia Limited *(Note 1)*	1,854,000,000	37.51%
Extra Step Investments Limited *(Note 2)*	983,000,000	19.89%
Xing Kong Chuan Mei Group Co., Ltd. *(Note 3)*	871,000,000	17.62%

Notes:

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

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

3. Xing Kong Chuan Mei Group Co., Ltd. is a subsidiary of STAR Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of STAR Group Limited. News Publishers Investments Pty, Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty, Limited is a wholly-owned subsidiary of STAR LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a 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 and STAR Group Limited are all deemed to be interested in the 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd.

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

Name of other person who has more than 5% interest	Number of shares	Percentage of shareholding
China Wise International Limited (Note)	412,000,000	8.34%

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 contracts of significance in relation to the Group's business to which the Company, 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.

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 2006	Year 2005
Programme purchases		
– the largest supplier	**17%**	18%
– five largest suppliers	**48%**	55%
Sales		
– the largest advertising end-customer	**3%**	2%
– five largest advertising end-customers	**11%**	8%

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 34 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 34 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 connected transactions with Satellite Television Asian Region Limited ("STARL") and STAR Filmed, ATV Enterprises Limited ("ATVE") and Asia Television Limited ("ATV") have been approved by resolutions of independent shareholders of the Company ("Independent Shareholders") passed on 26 June 2003.

   On 18 August 2006, the Independent Shareholders have approved the renewal of connected transactions with STARL and STAR Filmed.

   (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 2006, the service charges paid/payable to STARL amounted to approximately HK$53,416,000 (2005: HK$54,174,000), 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 and cap of HK$29,500,000 for the period from 1 July 2006 to 31 December 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 2006, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$3,201,000 (2005: HK$2,864,000), which was calculated based on 15% of the gross subscription fees received by Phoenix Satellite Television Company Limited ("Phoenix HK") attributable to the subscribers referred to Phoenix HK by STARL. Such amount did not exceed the annual caps of HK$10,000,000 for the year ended 30 June 2006 and the cap of HK$2,000,000 for the period from 1 July 2006 and 31 December 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 2006, no commission for advertising sales and marketing services were paid/payable to STARL (2005: HK$51,000), 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 The News Corporation Limited, which is the ultimate holding company 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 2006, the film license fees paid/payable to STAR Filmed amounted to approximately HK$20,326,000 (2005: HK$20,355,000), 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 and the cap of HK$11,000,000 for the period from 1 July 2006 to 31 December 2006 respectively, 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 2006. 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 2006, programme license fees paid/payable to ATVE amounted to approximately HK$428,000 (2005: Nil), which were charged according to 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 2006, the service fees received/receivable from the provision of technical support services and equipment to ATV were approximately HK$1,276,000 (2005: HK$1,278,000), 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 2006, the service charges paid/payable to Fox amounted to approximately HK$3,689,000 (2005: HK$3,782,000), 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 2006 approved under the relevant resolutions.

3. 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 year ended 31 December 2006, the costs paid/payable to BSkyB amounted to approximately HK$1,120,000 (2005: HK$393,000), which was charged in accordance with the service agreement with BSkyB. Such amount did not exceed the annual cap of HK$1,300,000 for the year ended 31 December 2006.

4. 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 approximately 34% 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 2006, the license fee received/receivable from DIRECTV amounted to approximately HK$1,954,000 (2005: HK$1,751,000), which were charged in accordance with the License Agreement as amended by its subsequent amendment agreements. Such amount did not exceed the annual cap of HK$4,000,000 for the year ended 31 December 2006.

5. 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 2006, the license fees paid/payable to SGL amounted to approximately HK$210,000 (2005: HK$546,000), 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.

6. A subsidiary of the Company, through its PRC advertising agent, Shenzhou Television Company Limited, entered into an advertising contract with CNHK Media Limited ("CNHK Media"), the PRC advertising agent of China Mobile Communications Corporation ("CMCC") on 12 December 2005. On 25 August 2006, China Mobile (Hong Kong) Group Limited ("CMHKG"), through its wholly-owned subsidiary, has become a substantial shareholder of the Company, holding approximately 19.9% of the issued share capital of the Company. Accordingly, CMCC being the ultimate holding company of CMHKG, has become a connected person of the Company under the GEM Listing Rules since 25 August 2006. The Company has made an announcement in respect of this connected transaction on 8 September 2006. For the year ended 31 December 2006, the advertising sales to CMCC and its subsidiary amounted to approximately HK$8,912,000 (2005: Nil), which were charged in accordance with the advertising contract with CNHK Media.

   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; and

   (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, on terms no 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 has interests in approximately 37.5%, of the share capital of the Company. Today's Asia Limited, together with its shareholder, Mr. LIU Changle, are deemed to be the management shareholders of the Company as defined under the GEM Listing Rules.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in Asia Television Limited ("ATV"), a Hong Kong based television broadcasting company. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2006. He also owns 80% of Dragon Goodwill International Limited, which completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

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

SPONSORS' INTERESTS

As at 30 June 2002, BOCI Asia Limited and Merrill Lynch Far East Limited ceased to be the sponsors of the Company upon expiration of the terms of contract after two years of service. The Company has 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 Group's annual results for the year ended 31 December 2006 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, 8 March 2007

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Phoenix Satellite Television Holdings Limited (the "Company") set out on pages 37 to 91, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006
(Amounts expressed in Hong Kong dollars)

	Note(s)	2006 $'000	2005 $'000 (Note 35)
Revenue	5	**1,057,667**	1,034,768
Operating expenses	6, 34(i)	**(729,483)**	(653,654)
Selling, general and administrative expenses	6, 34(i)	**(137,330)**	(222,429)
Other revenue			
Exchange gain, net	5	**15,124**	13,997
Interest income, net	5	**23,118**	13,937
Other income, net	5	**18,247**	19,178
Provision for impairment loss in a jointly controlled entity	20	**–**	(472)
Share of losses of jointly controlled entities	20	**(1,518)**	(1,906)
Profit before income tax		**245,825**	203,419
Income tax expense	7	**(34,938)**	(20,755)
Profit for the year		**210,887**	182,664
Attributable to:			
Equity holders of the Company		**212,385**	181,482
Minority interests		**(1,498)**	1,182
		210,887	182,664
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic earnings per share, Hong Kong cents	10	**4.30**	3.67
Diluted earnings per share, Hong Kong cents	10	**4.29**	3.67
Dividends	9	**69,190**	59,278

CONSOLIDATED BALANCE SHEET

As at 31 December 2006
(Amounts expressed in Hong Kong dollars)

	Note(s)	**2006** **$'000**	2005 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	16	**13,915**	14,968
Lease premium for land	17	**74,696**	–
Property, plant and equipment, net	18	**106,950**	44,518
Property deposit and development costs	19	**–**	30,560
Investments in jointly controlled entities	20	**9,350**	9,594
Available-for-sale financial assets		**962**	–
Financial assets at fair value through profit or loss	21	**80,027**	65,971
Prepayment for long-term assets	22	**24,393**	–
Loans and receivables	26	**–**	31,018
Deferred income tax assets	30	**12,233**	963
		322,526	197,592
Current assets			
Accounts receivable, net	12	**56,159**	43,254
Prepayments, deposits and other receivables	13	**407,376**	367,945
Inventories	14	**4,952**	5,557
Amounts due from related companies	15, 34(ii)	**38**	1,232
Self-produced programmes		**3,206**	3,760
Purchased programme and film rights, net, current portion	16	**4,061**	5,141
Financial assets at fair value through profit or loss	21	**22,479**	23,758
Loans and receivables - current	26	**69,136**	–
Cash and cash equivalents	25	**543,417**	513,364
		1,110,824	964,011
Total assets		**1,433,350**	1,161,603

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 December 2006
(Amounts expressed in Hong Kong dollars)

	Note(s)	**2006** **$'000**	2005 $'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	**494,213**	493,867
Reserves		**665,336**	505,220
		1,159,549	999,087
Minority interests		**7,139**	8,019
Total equity		**1,166,688**	1,007,106
LIABILITIES			
Non-current liabilities			
Provision for asset retirement reinstatement		**4,342**	–
Deferred income tax liabilities	30	**1,213**	963
		5,555	963
Current liabilities			
Accounts payable, other payables and accruals	24	**119,378**	95,948
Deferred income		**119,580**	47,572
Amounts due to related companies	15, 34(ii)	**4,743**	4,900
Profits tax payable		**17,406**	5,114
		261,107	153,534
Total liabilities		**266,662**	154,497
Total equity and liabilities		**1,433,350**	1,161,603
Net current assets		**849,717**	810,477
Total assets less current liabilities		**1,172,243**	1,008,069

Approved by the Board of Directors on 8 March 2007 and signed on behalf of the Board by

LIU Changle	**CHUI Keung**
Director	Director

BALANCE SHEET

As at 31 December 2006
(Amounts expressed in Hong Kong dollars)

	Note	**2006** **$'000**	2005 $'000
ASSETS			
Non-current asset			
Interests in subsidiaries	23	**1,170,216**	1,232,543
Current asset			
Cash and cash equivalents	25	**7,458**	1,972
Total assets		**1,177,674**	1,234,515
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	**494,213**	493,867
Reserves	29	**683,307**	740,494
Total equity		**1,177,520**	1,234,361
LIABILITY			
Current liability			
Other payables and accruals		**154**	154
Total liability		**154**	154
Total equity and liability		**1,177,674**	1,234,515

Approved by the Board of Directors on 8 March 2007 and signed on behalf of the Board by

LIU Changle
Director

CHUI Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006
(Amounts expressed in Hong Kong dollars)

		Attributable to the Company's equity holders					
		Share capital	Share premium	Exchange reserve	Accumulated deficit	Minority interests	Total equity
	Note(s)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2005	27	493,680	829,741	2,204	(461,977)	6,837	870,485
Exchange differences arising on translation of the financial statements of foreign subsidiaries		–	–	1,383	–	–	1,383
Exercise of share options	27, 28	187	1,774	–	–	–	1,961
Dividend related to 2004		–	(49,387)	–	–	–	(49,387)
Profit for the year		–	–	–	181,482	1,182	182,664
Balance at 31 December 2005		493,867	782,128	3,587	(280,495)	8,019	1,007,106

		Attributable to the Company's equity holders					
		Share capital	**Share premium**	**Exchange reserve**	**Accumulated deficit**	**Minority interests**	**Total equity**
	Note(s)	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 January 2006	27	**493,867**	**782,128**	**3,587**	**(280,495)**	**8,019**	**1,007,106**
Exchange differences arising on translation of the financial statements of foreign subsidiaries		**–**	**–**	**3,642**	**–**	**–**	**3,642**
Exercise of share options	27, 28	**346**	**3,367**	**–**	**–**	**–**	**3,713**
Dividend related to 2005	9	**–**	**(59,278)**	**–**	**–**	**–**	**(59,278)**
Profit/(loss) for the year		**–**	**–**	**–**	**212,385**	**(1,498)**	**210,887**
Investment in a subsidiary by a minority shareholder		**–**	**–**	**–**	**–**	**618**	**618**
Balance at 31 December 2006		**494,213**	**726,217**	**7,229**	**(68,110)**	**7,139**	**1,166,688**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006
(Amounts expressed in Hong Kong dollars)

	Note(s)	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	**154,248**	216,476
Interest received		**23,118**	13,937
Income from certificate of deposit		**976**	786
Hong Kong taxation paid		**(33,615)**	(14,986)
Overseas taxation paid		**(51)**	(271)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**144,676**	215,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in prepayment for long-term assets	22	**(24,393)**	–
Increase in property deposit and development costs		**(288)**	(1,246)
Increase in available-for-sale financial assets		**(962)**	–
Purchase of property, plant and equipment		**(29,708)**	(15,878)
Purchase of programme and film rights	16	**(16,728)**	(16,083)
Investment in a jointly controlled entity	20	**(1,274)**	(11,500)
Proceeds from disposal of property, plant and equipment		**29**	85
Proceeds from partial disposal of property deposit interest	19	**19,602**	37,792
Purchase of financial assets at fair value through profit or loss		**(148,873)**	(206,768)
Proceeds from disposal of financial assets at fair value through profit or loss		**134,437**	171,898
Income from financial assets at fair value through profit or loss		**5,569**	4,747
NET CASH USED IN INVESTING ACTIVITIES		**(62,589)**	(36,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	27, 28	**3,713**	1,961
Dividends paid to Company's equity holders	9	**(59,278)**	(49,387)
Investment in a subsidiary by a minority shareholder		**618**	–
NET CASH USED IN FINANCING ACTIVITIES		**(54,947)**	(47,426)
INCREASE IN CASH AND CASH EQUIVALENTS		**27,140**	131,563
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**513,364**	380,391
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,913**	1,410
CASH AND CASH EQUIVALENTS AT END OF YEAR		**543,417**	513,364

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 in satellite television broadcasting activities.

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

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

The consolidated financial statements have been approved for issue by the Board of Directors on 8 March 2007.

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 the revaluation of financial assets at fair value through profit or loss.

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

(i) Amendments and interpretations to published standards effective in 2006

HKAS 39 (Amendment), the Fair Value Option, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss; and

HKFRS–Int 4, Determining whether an Arrangement contains a Lease, effective for annual periods beginning on or after 1 January 2006. This interpretation requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the "Assets"); and (b) the arrangement conveys a right to use the Assets. This interpretation has no material financial impact on the Group, and does 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 financial statements as of and for the year ended 31 December 2005.

(ii) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments;

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements; and

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

(iii) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

(iv) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment) – Actuarial Gains and Losses, Group Plans and Disclosures;

- HKAS 21 (Amendment) – Net Investment in a Foreign Operation;

- HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

- HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee Contracts;

- HKFRS 6, Exploration for and Evaluation of Mineral Resources;

- HKFRS 1 (Amendment) – First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

- HKFRS–Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

- HK(IFRIC)–Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(b) Consolidation

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

(i) 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 Group's share of the identifiable 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.

(ii) 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.

Dilution gains and losses in jointly controlled entities are recognised in the consolidated income statement.

(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 financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(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 operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

The functional currency of the jointly controlled entities in which the Group has invested is the Renminbi. The Group's investment in the net assets of the jointly controlled entities are translated at the closing rate at the date of the balance sheet. The Group's share of profits/(losses) of the jointly controlled entities are translated at the average exchange rates for equity accounting purposes. All resulting exchange differences are recognised as a separate component of equity.

(e) Property, plant and equipment

Property, plant and equipment 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 charged in the income statement during the financial period in which they are incurred.

No depreciation is provided on assets under construction until they are completed and are available for use. Depreciation of other 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:

Buildings	3.33%
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)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(f) Property deposit and development costs

Property deposit and development costs are carried at cost less any impairment losses.

(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 are stated at cost less any impairment losses. 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 cost, the cost is written down to recoverable amount. 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 investments in subsidiaries, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

This category has financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges.

(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 are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Items accounted for as loans and receivables are also included in accounts receivable, and prepayments, deposits and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets represented unlisted securities of private issuers outside Hong Kong.

Regular purchases and sales of financial assets are recognised on the 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 not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets 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. Available-for-sale financial assets are subsequently carried at cost as these securities have no quoted market price in an active market and their fair values cannot be reliably measured. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recorded in the income statement in the period in which they arise.

If the market for a financial asset carried at fair value is not active (and for unlisted securities), the Group established fair value by using valuation techniques feasible to the Group. These could include the use of recent arm's length transactions, reference to other instruments that are substantially the same, indicative market values obtained from reputable financial institutions, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. Impairment testing of loans and receivables, accounts receivable and prepayments, deposits and other receivables is described in Note 2(l).

(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) Loans and receivables, accounts receivable and prepayments, deposits and other receivables

Loans and receivables, 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 or realise all amounts due according to the original terms of the assets. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the asset is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling, general and administration expenses. When an accounts receivable is determined to be uncollectible, it is written off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general and administration expenses 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, subscription revenue and promotion service 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 paid or 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 set up their 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 probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 certificate of deposit*

Interest income from bank deposits and income from certificate of 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.

(vii) *Barter revenue*

Barter revenue is recognised at the fair value of goods or services received or receivable in the transaction upon the broadcast of advertisements, the publishing of the magazine or the provision of promotion services to be provided by the Group in the barter transaction.

(t) Leases

(i) 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.

The up-front prepayments made for land use rights are amortised on a straight-line basis over the period of the lease, or where there is impairment, the impairment is expensed in the income statement.

(ii) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(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.

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 Renminbi, US dollar and UK pound. 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 and 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 Renminbi but manages its exposure through constant monitoring to limit as much as possible the amount of its Renminbi exposures. Foreign exchange risk arises when future commercial transactions and 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 is managed primarily through operating liabilities denominated in the relevant foreign currencies.

(b) Price risk

The Group is exposed to securities price risk because the return on certain investments held by the Group classified on the consolidated balance sheet as financial assets at fair value through profit or loss are tied to the share prices of certain listed equity securities. Management has adopted the indicative market value provided by the issuers as their best estimate of the fair values of such investments. The Group is not exposed to commodity price risk. For further details, see note 21.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables, and deposits with banks and financial institutions, as well as credit exposures to advertising agents and customers, including outstanding receivables and committed transactions. The Group has a receivable from an advertising agent, Shenzhou, in the PRC amounting to HK$344,263,000 representing approximately 24% of the total assets of the Group as of 31 December 2006. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers and advertising agents, taking into account their financial position, collection history, past experience and other factors. For banks, financial institutions and issuers of derivative financial instruments, only reputable well established banks and financial institutions are accepted.

(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 25 and 32 respectively.

(iv) *Cash flow and fair value interest rate risk*

As the Group has interest-bearing assets comprising cash and cash equivalents and investments classified as financial assets at fair value through profit or loss and loans and receivables for which returns are dependent on changes in interest rates, the Group's income and operating cash flows can be affected by changes in market interest rates.

The Group's cash flow and fair value interest-rate risks 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, 8% 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 21).

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 judgments 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) *Provision for impairment of receivables*

Significant judgment is exercised in the assessment of the collectibility of accounts receivable from each customer. In making its judgment, 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.

(ii) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment 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 details of the Group's PRC tax exposure.

(iii) Fair value of a property received in a barter transaction

The Group received a property in a barter transaction during the year (please refer to Note 17(a) for details of the transaction). The revenues to be recognised by the Group as a result of the transaction are measured based on the fair value of the property received. The Group determined the fair value of the property by making reference to the price for the property negotiated with the third party counterparty to the transaction and a valuation of the property as at the date of the transaction prepared by an independent valuer.

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

The fair value of financial assets at fair value through profit or loss 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 21). The Group considered that it would be more practicable to benchmark the values of these 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. 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:

	2006	2005
	$'000	*$'000*
Revenue		
Advertising sales	**973,310**	937,825
Subscription sales	**41,511**	38,973
Magazine advertising and subscription or circulation sales	**18,030**	19,786
Others	**24,816**	38,184
	1,057,667	1,034,768
Other revenue		
Exchange gain, net	**15,124**	13,997
Interest income, net	**23,118**	13,937
Income from certificate of deposit	**976**	786
Sales of programmes	**3,715**	768
Fair value gain on financial assets at fair value through profit or loss (realised and unrealised)	**7,109**	6,424
Gain from partial disposal of property deposit and development costs *(Note 19)*	**–**	11,599
Others, net	**6,447**	(399)
	56,489	47,112
Total revenues	**1,114,156**	1,081,880

Primary reporting format – business segments

The Group is organised into four main business segments including:

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

(ii) Programme production and ancillary services;

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

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

	Year ended 31 December 2006					
	Television broadcasting *$'000*	**Programme production and ancillary services** *$'000*	**Internet services** *$'000*	**Other activities** *$'000*	**Inter-segment elimination** *$'000*	**Group** *$'000*
Revenue						
External sales	**1,014,822**	**1,914**	**13,490**	**27,441**	**–**	**1,057,667**
Inter-segment sales	**611**	**24,584**	**–**	**30**	**(25,225)**	**–**
Total revenue	**1,015,433**	**26,498**	**13,490**	**27,471**	**(25,225)**	**1,057,667**
Segment results	**351,549**	**(1,921)**	**894**	**(2,984)**	**–**	**347,538**
Unallocated expenses *(Note a)*						**(100,195)**
Profit before share of results of jointly controlled entities, income tax and minority interests						**247,343**
Share of losses of jointly controlled entities						**(1,518)**
Income tax expense						**(34,938)**
Profit for the year						**210,887**
Minority interests						**1,498**
Profit attributable to equity holders of the Company						**212,385**
Segment assets *(Note b)*	**64,385**	**68,454**	**17,038**	**10,191**	**–**	**160,068**
Unallocated assets						**1,273,282**
Total assets						**1,433,350**
Segment liabilities *(Note c)*	**(27,006)**	**(5,281)**	**(11,888)**	**(10,273)**	**–**	**(54,448)**
Unallocated liabilities						**(212,214)**
Total liabilities						**(266,662)**
Capital expenditure *(Note d)*	**(11,678)**	**(2,789)**	**(3,417)**	**–**	**–**	**(17,884)**
Unallocated capital expenditure						**(67,979)**
						(85,863)
Depreciation	**(18,533)**	**(2,883)**	**(1,897)**	**(60)**	**–**	**(23,373)**
Impairment of purchased programme and film rights	**(1,680)**	**–**	**–**	**–**	**–**	**(1,680)**
Provision for impairment of receivables	**(16,293)**	**–**	**–**	**–**	**–**	**(16,293)**
Amortisation of purchased programme and film rights	**(17,011)**	**–**	**–**	**–**	**–**	**(17,011)**
Reversal of provision for impairment of receivables	**12,152**	**–**	**–**	**–**	**–**	**12,152**

	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 other income *(Note e)*						11,599
Unallocated expenses *(Note a)*						(84,885)
Profit before 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)

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.

(e) Unallocated other income represents gain, after providing for estimated taxes, on disposal of partial interest of a property in Shenzhen (Note 19).

Secondary reporting format – geographical segments

	Year ended 31 December 2006		
	Revenue	**Total assets**	**Capital expenditure**
	$'000	***$'000***	***$'000***
The People's Republic of China (including Hong Kong)	**985,536**	**1,390,662**	**84,143**
United States	**30,600**	**20,828**	**380**
Europe	**18,014**	**16,030**	**436**
Others	**23,517**	**5,830**	**904**
	1,057,667	**1,433,350**	**85,863**

	Year ended 31 December 2005		
	Revenue	Total assets	Capital expenditure
	$'000	*$'000*	*$'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

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:

	2006	2005
	$'000	*$'000*
Amortisation of purchased programme and film rights	**17,011**	22,325
Production costs of self-produced programmes	**119,786**	91,710
Transponder rental *(Note 34(i)(b), (o))*	**17,000**	16,368
Provision for impairment of receivables	**16,293**	106,177
Reversal of provision for impairment of receivables	**(12,152)**	–
Employee benefit expenses (including Directors' emoluments) *(Note 11)*	**263,418**	242,207
Operating lease rental in respect of		
– Directors' quarters	**1,202**	1,185
– land and buildings of third parties	**17,959**	15,567
Cost of inventories sold	**626**	566
Depreciation expenses	**23,373**	26,181
Amortisation of lease premium for land	**540**	–
Auditors' remuneration	**2,410**	2,230
Impairment of property, plant and equipment	**677**	–
Impairment of purchased programme and film rights	**1,680**	3,380
Impairment of inventories	**–**	3,257

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	2006	2005
	$'000	*$'000*
Current income tax		
– Hong Kong profits tax	**45,532**	21,379
– Overseas taxation	**51**	271
– Under/(over) provision of Hong Kong profits tax in the prior year	**375**	(895)
Deferred income tax (Note 30)	**(11,020)**	–
	34,938	20,755

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 fees 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 tax rate of the location in which the Company operates as follows:

	2006 *$'000*	2005 *$'000*
Profit before income tax	**245,825**	203,419
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**43,019**	35,598
Income not subject to taxation	**(10,823)**	(13,925)
Expenses not deductible for taxation purposes	**10,273**	8,925
Tax losses not recognised	**9,431**	6,389
Utilisation of previously unrecognised tax losses	**(3,631)**	(15,202)
Recognition of deferred tax asset arising from previously unrecognised tax losses	**(13,900)**	–
Provision for overseas operations	**51**	271
Under/(over) provision of Hong Kong profits tax in prior years	**375**	(895)
Others	**143**	(406)
Tax expense	**34,938**	20,755

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$1,276,000 (2005: HK$673,000).

9. DIVIDENDS

The 2005 final dividends paid during the year ended 31 December 2006 were HK$59,278,000 (HK$0.012 per share). A dividend in respect of 2006 of HK$0.014 per share, amounting to a total dividend of HK$69,190,000 estimated based upon the number of outstanding shares of approximately 4,942,126,000 as at 31 December 2006, is to be proposed by the Directors at a Board of Directors meeting to be held on 8 March 2007. These financial statements do not reflect this dividend payable.

	2006 *$'000*	2005 *$'000*
Proposed final dividend of HK$0.014 (2005: HK$0.012) per share	**69,190**	59,278

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.

	2006	2005
Profit attributable to equity holders of the Company *($'000)*	**212,385**	181,482
Weighted average number of ordinary shares in issue *('000)*	**4,940,000**	4,938,340
Basic earnings per share *(Hong Kong cents)*	**4.30**	3.67

Diluted

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

	2006	2005
Profit attributable to equity holders of the Company used to determine diluted earnings per share *($'000)*	**212,385**	181,482
Weighted average number of ordinary shares in issue *('000)*	**4,940,000**	4,938,340
Adjustment for share options *('000)*	**5,582**	8,680
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,945,582**	4,947,020
Diluted earnings per share *(HK cents)*	**4.29**	3.67

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	$'000	*$'000*
Wages, salaries and other allowances	**251,010**	231,305
Unutilised annual leave	**1,544**	75
Pension costs – defined contribution plans, net of forfeited contributions *(Note a)*	**10,864**	10,827
	263,418	242,207

(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 based on various percentages of the employees' salaries or a fixed sum per employee with reference to their salary level. 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 2006, the aggregate amount of the employer's contributions was approximately HK$11,037,000 (2005: HK$10,808,000) and the total amount of forfeited contributions was approximately HK$1,875,000 (2005: HK$1,210,000).

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 2006, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,296,000 (2005: HK$1,281,000) and the total amount of forfeited contributions was approximately HK$40,000 (2005: HK$52,000).

(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 (collectively, 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 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 2006 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	–	4,818	1,500	879	445	7,642
2. CHUI Keung	–	1,974	700	971	182	3,827
3. WANG Jiyan (appointed on 29 September 2006) *(note A)*	–	1,722	700	848	159	3,429
4. Michelle Lee GUTHRIE (resigned on 29 September 2006)	–	–	–	–	–	–
5. LAU Yu Leung, John	–	–	–	–	–	–
6. CHEUNG Chun On, Daniel (resigned on 29 September 2006)	–	–	–	–	–	–
7. LO Ka Shui	200	–	–	–	–	200
8. CHEUNG San Ping (resigned on 29 September 2006)	–	–	–	–	–	–
9. XU Gang	–	–	–	–	–	–
10. GONG Jianzhong	–	–	–	–	–	–
11. LEUNG Hok Lim	200	–	–	–	–	200
12. Thaddeus Thomas BECZAK	200	–	–	–	–	200
13. GAO Nianshu (appointed on 29 September 2006)	–	–	–	–	–	–
14. LU Xiangdong (appointed on 29 September 2006)	–	–	–	–	–	–
15. Paul Francis AIELLO (appointed on 29 September 2006)	–	–	–	–	–	–

Note A: Mr. WANG Jiyan was appointed as a Director effective from 29 September 2006, the amount of remuneration covers full year 2006.

As of 31 December 2006, Mr. LIU Changle had outstanding share options to purchase 5,320,000 (2005: 5,320,000) shares at HK$1.08 per share, Mr. CHUI Keung had outstanding share options to purchase 3,990,000 (2005: 3,990,000) shares at HK$1.08 per share and Mr. WANG Jiyan had outstanding share options to purchase 3,990,000 (2005: 3,990,000) shares at HK$1.08 per share. No options were exercised during 2006 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 2006.

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2006 include three (2005: two) Executive Directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid/payable to the remaining two (2005: three) individuals during the year are as follows:

	2006	2005
	$'000	*$'000*
Salaries	**4,076**	5,662
Discretionary bonus	**1,400**	2,400
Housing allowance	**2,009**	2,781
Pension fund	**376**	523
	7,861	11,366

The emoluments of the remaining two (2005: three) individuals fell within the following bands:

Emolument bands	Number of individuals **2006**	2005
HK$3,000,001 – HK$3,500,000	**1**	2
HK$3,500,001 – HK$4,000,000	**–**	–
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 (2005: Nil).

12. ACCOUNTS RECEIVABLE, NET

	2006 *$'000*	2005 *$'000*
Accounts receivable	**70,938**	170,319
Less: Provision for impairment of receivables	**(14,779)**	(127,065)
	56,159	43,254

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 airtime 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:

	2006 *$'000*	2005 *$'000*
0-30 days	**31,446**	19,031
31-60 days	**10,780**	12,623
61-90 days	**4,343**	1,701
91-120 days	**5,644**	9,046
Over 120 days	**18,725**	127,918
	70,938	170,319
Less: Provision for impairment of receivables	**(14,779)**	(127,065)
	56,159	43,254

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$16,293,000 (2005: HK$106,177,000) for the impairment of its accounts receivable during the year ended 31 December 2006. The loss has been included in selling, general and administrative expenses in the consolidated income statement. The Group has written off HK$128,579,000 (2005: HK$17,220,000) of accounts receivables against the provision for impairment of receivables and reversed HK$12,152,000 of the provision for impairment of receivables made in prior years during the year.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$344,263,000 (2005: HK$299,805,000) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

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

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately HK$344,263,000 as at 31 December 2006 is fully recoverable and no provision is required.

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

14. INVENTORIES

	2006	2005
	$'000	*$'000*
Decoder devices and satellite receivers	**4,952**	5,557

The cost of inventories recognised as expense and included in other income, net, amounted to HK$626,000 (2005: HK$566,000).

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 (2005: Same).

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

16. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	2006	2005
	$'000	*$'000*
Balance, beginning of year	**20,109**	30,067
Additions	**16,728**	16,083
Amortisation	**(17,011)**	(22,325)
Impairment loss	**(1,680)**	(3,380)
Others	**(170)**	(336)
Balance, end of year	**17,976**	20,109
Less: Purchased programme and film rights – current portion	**(4,061)**	(5,141)
	13,915	14,968

17. LEASE PREMIUM FOR LAND

The Group's interest in land use rights represents prepaid operating lease payments and its net book value is analysed as follows:

	2006	2005
	$'000	*$'000*
Outside Hong Kong, held on:		
Leases of over 50 years	**74,696**	–

	For the year ended 31 December 2006	For the year ended 31 December 2005
	$'000	*$'000*
Balance, beginning of year	**–**	–
Additions *(Note a)*	**75,236**	–
Amortisation expense	**(540)**	–
Balance, end of year	**74,696**	–

(a) Additions for the year represented the land use rights of a villa (the "Villa") received from a barter transaction with Mission Hills Group Limited ("Mission Hills").

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

Under the Barter Agreement, Mission Hills will transfer the title, rights and interests of the Villa in Mission Hills in Residence development to the Group at a price of approximately HK$98 million and in exchange, the Group will provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Company's normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of Mission Hills and its projects. The fair value of the Villa has been assessed by an independent valuer, Vigers Appraisal & Consulting Limited, on 31 July 2006 at approximately HK$103 million, and therefore the agreed price of HK$98 million is considered by management to approximate the fair value of the Villa. The total cost of the Villa, including relevant taxes, is approximately HK$100,543,000. The cost of the Villa has been allocated between the lease premium for land (HK$75,236,000) and the building (HK$25,307,000) based on the valuation assessment of the independent valuer.

The total revenues to be recorded by the Group for the provision of airtime and services over the five year period of the contract is based on the fair value of the Villa received of approximately HK$98 million. The revenues recorded for airtime utilised by Mission Hills is based on the rates charged to other customers purchasing similar volumes of airtime. The revenues recorded for the services provided is based on prices for the services provided agreed with Mission Hills.

For the year ended 31 December 2006, the Group recognised approximately HK$9,827,000 and HK$22,856,000, respectively, of revenue for airtime utilised and services provided. As at 31 December 2006, the unutilised value of airtime and services totaling HK$65,362,000 has been recorded in deferred income in the balance sheet. The Group took possession of the Villa in July 2006 and received title in February 2007.

18. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings	Leasehold improvements	Furniture and fixtures	Broadcast operations and other equipment	Motor vehicles	Construction in progress	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2005							
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
Year ended 31 December 2006							
Opening net book amount	**–**	**9,205**	**636**	**30,122**	**4,555**	**–**	**44,518**
Exchange differences	**–**	**104**	**11**	**645**	**(31)**	**–**	**729**
Additions *(Note a)*	**25,307**	**4,348**	**110**	**17,624**	**1,768**	**36,706**	**85,863**
Disposals	**–**	**–**	**–**	**–**	**(110)**	**–**	**(110)**
Depreciation	**(352)**	**(6,109)**	**(237)**	**(15,136)**	**(1,539)**	**–**	**(23,373)**
Impairment	**–**	**(256)**	**(188)**	**(233)**	**–**	**–**	**(677)**
Closing net book amount	**24,955**	**7,292**	**332**	**33,022**	**4,643**	**36,706**	**106,950**
At 31 December 2006							
Cost	**25,307**	**28,530**	**2,888**	**136,946**	**11,501**	**36,706**	**241,878**
Accumulated depreciation and impairment	**(352)**	**(21,238)**	**(2,556)**	**(103,924)**	**(6,858)**	**–**	**(134,928)**
Net book amount	**24,955**	**7,292**	**332**	**33,022**	**4,643**	**36,706**	**106,950**

Depreciation expense of HK$15,136,000 (2005: HK$20,465,000) has been included operating expenses, and HK$8,237,000 (2005: HK$5,716,000) in selling, general and administrative expenses.

Note a Construction in progress consists of the Group's entitlement to use 10,000 square meters in the building in Shenzhen discussed in Note 19. The Group's entitlement to use has been accounted for as a finance lease as follows:

	2006	2005
	$'000	*$'000*
Cost - capital finance lease	**30,848**	–

19. PROPERTY DEPOSIT AND DEVELOPMENT COSTS

On 11 June 2001, the Group 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.

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 was 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 (the "Agreement") 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 would be responsible for providing all required financing for the development of the building and the fulfillment of such obligation was guaranteed by Neo-China Group (Holdings) Limited. The Group would not be required to provide any further financing for the development of the building but would be entitled to a relevant portion of the non-saleable area of the building on completion of the development.

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 under construction to Oasiscity for RMB60,000,000 (equivalent to approximately HK$55,800,000) payable in 3 installments. The Group's entitlement to the relevant portion of the non-saleable area of the building was reduced to 10,000 square meters after this transaction. As at 31 December 2006, the Group had received the entire amount of RMB60,000,000 due from Oasiscity under the Supplementary Agreement.

Construction of the building was completed in October 2006. The Group took possession of the non saleable area in the building to which it was entitled in December, 2006 and commenced interior fitting out work. Since the Group had taken possession of the premises, the entire balance of the property deposit and development costs incurred of HK$30,848,000 has been transferred to construction in progress (see note 18) as at 31 December 2006.

[1] *name translated for reference only*

20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2006	2005
	$'000	*$'000*
Unlisted investments, at cost, beginning of the year	**11,972**	472
Capital injection into a jointly controlled entity *(Note a)*	**1,274**	11,500
Unlisted investments, at cost, end of the year	**13,246**	11,972
Less: provision for impairment	**(472)**	(472)
Less: share of jointly controlled entities' results – net loss	**(3,424)**	(1,906)
Unlisted investments, net, end of the year	**9,350**	9,594

Note a 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 licences from the relevant authorities in the PRC, the Group would have to inject approximately HK$12,774,000 (equivalent to RMB13,500,000) for a 45% shareholding interest in this joint venture. As of 31 December 2006, the capital injection of RMB13,500,000 had been made by the Group.

Details of the jointly controlled entities as at 31 December 2006 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%	RMB30,000,000

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

	2006	2005
	$'000	*$'000*
Assets:		
Non-current assets	**267**	457
Current assets	**22,271**	22,002
	22,538	22,459
Liabilities:		
Current liabilities	**285**	97
	285	97
Net assets	**22,253**	22,362
Income	**–**	–
Expenses	**(3,427)**	(4,351)
Loss after income tax	**(3,427)**	(4,351)

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
	$'000	*$'000*
Unlisted investments at fair value	**102,506**	89,729
Less: Non-current portion	**(80,027)**	(65,971)
	22,479	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 recognised in other income in the income statement (Note 5).

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

22. PREPAYMENT FOR LONG-TERM ASSETS

On 14 September 2006, Phoenix Centre (Hong Kong) Limited ("Phoenix Centre"), an indirect wholly-owned subsidiary of the Company, as purchaser, and Phoenix Satellite Television Company Limited, an indirect wholly-owned subsidiary of the Company, as Phoenix Centre's guarantor, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Freescale Semiconductor Hong Kong Limited ("Freescale") (formerly known as Motorola Semiconductors Hong Kong Limited) as vendor, whereby Phoenix Centre agreed to purchase a property located in the Tai Po Industrial Estate in Hong Kong consisting of an interest in leasehold land and buildings with a gross floor area of approximately 38,442 square meters (the "Property"), for a total consideration of US$15,500,000 (equivalent to approximately HK$120,900,000) (the "Consideration"). The Consideration is to be paid by instalments starting from the date of signing of the Sale and Purchase Agreement to 31 May 2007, the date of completion of the transaction (the "Completion Date"). All stamp duties payable on the assignment of the Property under the Stamp Duty Ordinance, estimated to be HK$4,534,000, are to paid by Phoenix Centre.

As at 31 December 2006, an amount of HK$24,393,000 was recognised as prepayment for long-term assets in the balance sheet, consisting of HK$24,096,000 paid out by the Group to Freescale according to the payment schedule stated in the Sale and Purchase Agreement and related legal costs of HK$297,000. As at 31 December 2006, the remaining balance of the Consideration amounted to USD12,400,000 (equivalent to approximately HK$96,720,000) and was to be paid out by the Completion Date.

In accordance with the requirements of the Hong Kong Science and Technology Parks Corporation, Phoenix Centre, the lessor of the leasehold land of the Property, has also undertaken to complete installation of new machinery and equipment with a value of not less than HK$105,000,000 at the Property within 48 months of 31 May 2007, and to commence operation of the facility within 18 months from the Completion Date.

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

	Company	
	2006	2005
	$'000	*$'000*
Unlisted shares, at cost *(Note i)*	**–**	–
Amount due from a subsidiary, net *(Note ii)*	**1,170,216**	1,232,543
	1,170,216	1,232,543

Notes:

(i) Details of subsidiaries as at 31 December 2006 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	Hong Kong	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

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 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)
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	Hong Kong	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	The PRC, limited liability company	The 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	The PRC, limited liability company	The PRC	Ancillary services for programme production	60%	HK$10,000,000

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 (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
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands, limited liability company	Taiwan	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	The PRC, limited liability company	The 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	The PRC, limited liability company	The PRC	Internet services	100%	US$1,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Dormant	100%	HK$1
Phoenix Media and Broadcast Sdn Bhd	Malaysia, limited liability company	Malaysia	Provision of agency services and programme production	70%	RM1,000,000

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 Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1
Green Lagoon Investments Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$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.

(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 2006.

24. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2006	2005
	$'000	*$'000*
Accounts payable	**10,253**	10,780
Other payables and accruals	**109,125**	85,168
	119,378	95,948

The ageing analysis of the accounts payable is as follows:

	2006	2005
	$'000	*$'000*
0-30 days	**5,234**	5,730
31-60 days	**1,286**	1,828
61-90 days	**593**	907
91-120 days	**13**	457
Over 120 days	**3,127**	1,858
	10,253	10,780

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

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**144,887**	105,413	**7,458**	1,972
Short-term bank deposits	**398,530**	407,951	**–**	–
	543,417	513,364	**7,458**	1,972

The effective interest rate on short-term bank deposits was 4.61% (2005: 2.63%); these deposits have an average maturity of 16 days.

26. LOANS AND RECEIVABLES

	2006	2005
	$'000	*$'000*
Certificate of deposit *(Note a)*	**30,342**	31,018
Unlisted security *(Note b)*	**38,794**	–
	69,136	31,018
Less: Current portion	**(69,136)**	–
	–	31,018

Note a: Certificate of deposit represented a deposit placed with a bank which will mature in October 2007 and is stated at amortised cost.

Note b: Unlisted security is a security with determinable payments which are based on market interest rate movements that are not quoted in an active market issued by a financial institution. The unlisted security is stated at amortised cost.

27. SHARE CAPITAL

	2006		2005	
	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	**4,938,666,000**	**493,867**	4,936,796,000	493,680
Exercise of share options	**3,460,000**	**346**	1,870,000	187
End of year	**4,942,126,000**	**494,213**	4,938,666,000	493,867

28. 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.

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

	2006		2005	
	Average exercise price in HK$ per share	**Options** ***'000***	Average exercise price in HK$ per share	Options *'000*
At 1 January	**1.11**	**54,378**	1.11	56,942
Exercised	**1.07**	**(3,460)**	1.05	(1,870)
Lapsed	**1.49**	**(2,682)**	1.06	(694)
At 31 December	**1.09**	**48,236**	1.11	54,378

As at 31 December 2006, out of the 48,236,000 (2005: 54,378,000 options) outstanding options, all (2005: 53,946,000) were exercisable. Options exercised in 2006 resulted in 3,460,000 shares (2005: 1,870,000 shares) being issued at HK$1.07 each (2005: HK$1.05). The related weighted average share price at the time of exercise was HK$1.27 (2005: HK$1.48) per share.

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

		Share options	
Expiry date	**Exercise price** *HK$ per share*	**2006** *'000*	2005 *'000*
13 June 2010	1.08	**37,140**	40,358
14 February 2011	1.99	**500**	1,700
9 August 2011	1.13	**9,124**	10,588
19 December 2012	0.79	**1,472**	1,732
		48,236	54,378

29. RESERVES

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

	Company		
	Share premium	**Accumulated deficit**	**Total**
	$'000	*$'000*	*$'000*
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
Exercise of share options	**3,367**	**–**	**3,367**
Loss for the year	**–**	**(1,276)**	**(1,276)**
Dividends paid relating to 2005	**(59,278)**	**–**	**(59,278)**
At 31 December 2006	**726,217**	**(42,910)**	**683,307**

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 2006, 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$683,307,000 (2005: HK$740,494,000).

30. DEFERRED INCOME TAX

Deferred taxation for the year ended 31 December 2006 is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 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$423,000,000 as at 31 December 2006 (2005: HK$433,000,000) to carry forward against future taxable income. Approximately HK$403,000,000 (2005: HK$423,000,000) of the unrecognised tax losses 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**	
	2006	2005
	$'000	*$'000*
At the beginning of the year	**963**	30
Charged to the consolidated income statement	**250**	933
At the end of the year	**1,213**	963

Deferred income tax assets	**Tax losses**		**Decelerated tax depreciation**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
At the beginning of the year	**(963)**	(3,263)	**–**	3,233	**(963)**	(30)
(Credited)/charged to the consolidated income statement	**(10,582)**	2,300	**(688)**	(3,233)	**(11,270)**	(933)
At the end of the year	**(11,545)**	(963)	**(688)**	–	**(12,233)**	(963)

31. CASH GENERATED FROM OPERATIONS

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

	2006	2005
	$'000	*$'000*
Profit before income tax	**245,825**	203,419
Amortisation of lease premium for land	**540**	–
Depreciation of property, plant and equipment	**23,373**	26,181
Amortisation of purchased programme and film rights and other charges	**18,861**	26,041
Impairment of property, plant and equipment	**677**	–
Provision for impairment loss in a jointly controlled entity	–	472
Provision for impairment of inventories	–	3,257
Provision for impairment of receivables	**16,293**	106,177
Reversal of provision for impairment of receivables	**(12,152)**	–
Loss/(gain) on disposal of property, plant and equipment	**81**	(64)
Share of losses of jointly controlled entities	**1,518**	1,906
Interest income, net	**(23,118)**	(14,723)
Other income, net	**(7,325)**	(30,134)
Increase in accounts receivable	**(29,198)**	(51,034)
(Increase)/decrease in prepayments, deposits and other receivables	**(83,939)**	2,531
Increase in loans and receivables	**(38,794)**	–
Decrease/(increase) in inventories	**605**	(63)
Decrease/(increase) in amounts due from related companies	**1,194**	(725)
Decrease in self-produced programmes	**554**	6,892
Increase/(decrease) in accounts payable, other payables and accruals	**27,772**	(69,130)
Increase in deferred income	**11,638**	8,658
Decrease in amounts due to related companies	**(157)**	(3,185)
CASH GENERATED FROM OPERATIONS	**154,248**	216,476

Non-cash transactions

The principal non-cash transaction occurring in the current year is the barter transaction as discussed in Note 17(a).

32. BANKING FACILITIES

As at 31 December 2006, the Group had banking facilities amounting to approximately HK$18,907,000 (2005: HK$18,407,000) of which approximately HK$11,735,000 (2005: HK$12,600,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2006, deposits of approximately HK$3,907,000 (2005: HK$3,407,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

33. COMMITMENTS

(a) Programme and film rights acquisition

As at 31 December 2006, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$34,123,000 (2005: HK$53,902,000) of which HK$33,695,000 (2005: 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:

	2006	2005
	$'000	*$'000*
Not later than one year	**20,776**	20,295
Later than one year and not later than five years	**13,347**	33,607
	34,123	53,902

(b) Service charges

As at 31 December 2006, 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$120,853,000 (2005: HK$20,912,000) and HK$1,896,000 (2005: HK$5,225,000) in respect of a service agreement expiring on 30 June 2009 and 25 July 2007, respectively. Total committed service charges payable to STARL and Fox are analysed as follows:

	2006	2005
	$'000	*$'000*
Not later than one year	**50,016**	24,246
Later than one year and not later than five years	**72,733**	1,891
	122,749	26,137

(c) Operating lease

As at 31 December 2006, the Group had rental commitments of approximately HK$33,588,000 (2005: HK$18,401,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2006	2005
	$'000	*$'000*
Not later than one year	**12,079**	7,367
Later than one year and not later than five years	**21,137**	9,771
Later than five years	**372**	1,263
	33,588	18,401

(d) Other commitments

As at 31 December 2006, the Group had other operating commitments of approximately HK$37,911,000 (2005: HK$20,887,000) under various agreements as follows:

	2006	2005
	$'000	*$'000*
Not later than one year	**24,130**	11,510
Later than one year and not later than five years	**13,781**	9,377
	37,911	20,887

34. RELATED PARTY TRANSACTIONS

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

		2006	2005
	Notes	***$'000***	*$'000*
Service charges paid/payable to STARL	a, b	**53,416**	54,174
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**–**	51
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**3,201**	2,864
Film licence fees paid/payable to STAR Filmed	a, e	**20,326**	20,355
Service charges paid/payable to Asia Television Limited ("ATV")	f, g	**731**	28
Service charges received/receivable from ATV	f, h	**1,276**	1,278
Service charges paid/payable to Fox	i, j	**3,689**	3,782
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	k, l	**1,120**	3,164
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	m, n	**1,954**	1,751
Programme licence fees to SGL Entertainment Limited ("SGL")	a, o	**210**	546
Programme license fees paid / payable to Asia Television Enterprise Limited ("ATVE")	f, p	**428**	–
Advertising sales to China Mobile Communications Corporation and its subsidiaries (the "CMCC Group")	q, r	**8,912**	–
Key management compensation	iii	**25,623**	25,605

Notes:

(a) STARL, STAR Filmed, SGL and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 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% (2005: 4% – 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% (2005: 15%) of the subscription fees generated and received by it on behalf of the Group.

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

(f) 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 2006. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2006. He also owns 80% of Dragon Goodwill International Limited, which completed its acquisition of 32.75% interests in ATV on 25 July 2003.

(g) 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.

(h) 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.

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

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

- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;

- leasing of office space and access to workspace, subject to availability; and

- accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

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

(l) 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.

(m) 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.

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

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

(p) 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 of the Company dated 10 June 2003.

(q) The CMCC Group, through its wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.9% of the issued share capital of the Company. CMCC has become a connected party to the Company since 25 August 2006.

(r) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels operated by the Group as disclosed in the announcement of the Company dated 8 September 2006.

(ii) Year end balances arising from related parties transactions as disclosed in note 34(i) above were as follows:

	2006	2005
	$'000	*$'000*
Amounts due from related companies	**38**	1,232
Amounts due to related companies	**(4,743)**	(4,900)

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

	2006	2005
	$'000	*$'000*
Salaries	**13,831**	13,499
Discretionary bonuses	**5,200**	5,800
Quarters and housing allowance	**5,315**	5,062
Pension fund	**1,277**	1,244
	25,623	25,605

35. COMPARATIVE FIGURES

Certain of the 2005 comparative figures have been reclassified to conform to the current year's presentation. Certain depreciation expenses have been reclassified from selling, general and administrative expenses to operating expenses and the income from Certificate of deposit have been reclassified from interest income to other income.

CONSOLIDATED RESULTS

	Year ended 31 December 2006 *$'000*	Year ended 31 December 2005 *$'000*	Year ended 31 December 2004 *$'000*	Six months ended 31 December 2003 *$'000*	Year ended 30 June 2003 *$'000*
Results					
Revenue	**1,057,667**	1,034,768	959,660	304,030	615,462
Operating expenses*	**(729,483)**	(653,654)	(694,841)	(288,437)	(584,500)
Selling, general and administrative expenses*	**(137,330)**	(222,429)	(124,628)	(60,172)	(124,295)
Other income/(expenses), net	**54,971**	44,734	17,518	7,958	21,631
Profit/(loss) before taxation and minority interests	**245,825**	203,419	156,054	(36,621)	(71,702)
Taxation	**(34,938)**	(20,755)	(4,826)	(2,559)	(3,811)
Profit/(loss) before minority interests	**210,887**	182,664	151,228	(39,180)	(75,513)
Minority interests	**1,498**	(1,182)	(734)	314	3,150
Profit/(loss) attributable to equity holders of the Company	**212,385**	181,482	150,494	(38,866)	(72,363)

CONSOLIDATED ASSETS AND LIABILITIES

		As at 31 December			As at 30 June
	2006	2005	2004	2003	2003
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Total assets	**1,433,350**	1,161,603	1,082,592	878,039	932,603
Total liabilities	**(266,662)**	(154,497)	(212,107)	(165,516)	(180,563)
Minority interests	**(7,139)**	(8,019)	(6,837)	(6,103)	(6,832)
Capital and reserves attributable to the Company's equity holders	**1,159,549**	999,087	863,648	706,420	745,208

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.

* *Certain depreciation expenses have been reclassified from selling, general and administrative expenses to operating expenses.*