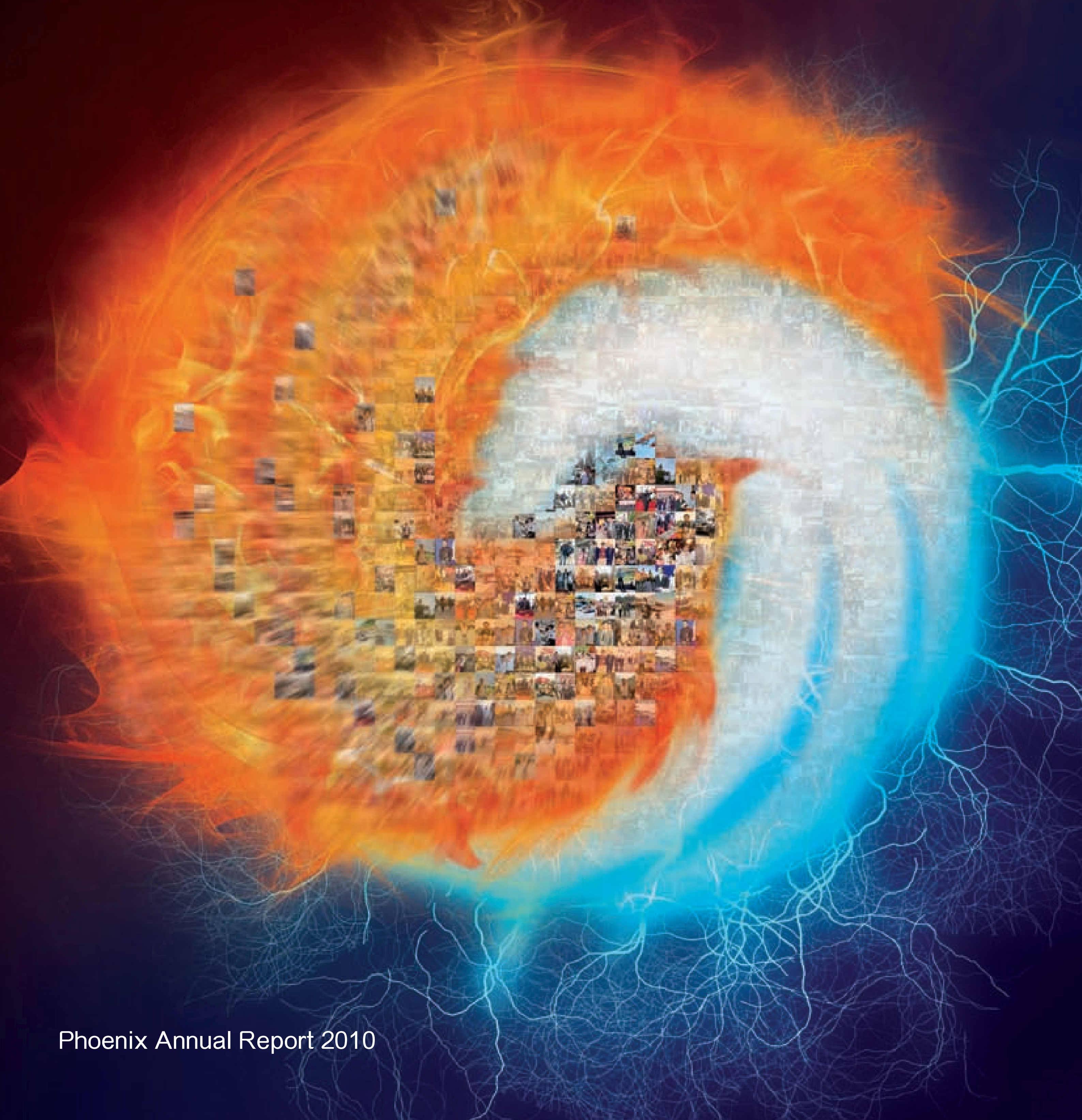
Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02008

Fiery enthusiasm
infinite energy



Phoenix Annual Report 2010

Fiery enthusiasm infinite energy

Contents

Mission Statement

Pursuing the vision of being the "**Chinese connection**", both among Chinese communities and between Chinese communities and the rest of the world, Phoenix seeks to provide Chinese everywhere with a continuous stream of Chinese-language programming, ranging from entertainment, talk shows and Asian and Western movies through to balanced, accurate and up-to-the-minute news and information about political and economic developments around the globe. By performing these functions, Phoenix fulfills its mission of bringing China closer to the world and the world closer to China.

2010
Annual Highlights

11 January

Phoenix Satellite Television and the largest Thai commercial consortium, the CP Group, signed a cooperation agreement that provides a basis for both sides to work together to produce television programs and media products. The head of the CP Group, Mr. Dhanin Chearavanont, predicted that Phoenix would enjoy ever greater international influence, and Mr. LIU Changle , the Chairman of Phoenix, characterized the agreement as having historical significance.

16–18 April

Mr. LIU Changle, the Chairman of Phoenix Television, addressed the two-day China Forum which was held at Harvard University. At the forum, which was attended by representatives of the media, financial, internet, real estate and other key businesses, Mr. LIU gave an address that focused on the role of the media after China had undergone the process of reform and opening up.

22 April

At a glamorous event in Beijing celebrating the famous charity contributions and work by Chinese women the Phoenix reporter, Ms. Luqiu Luwei, received an award as one of "the Top Ten female brand names in China".

23 May

Phoenix presenter Chen Luyu conducted an exclusive interview with Secretary of State Hilary Clinton and Treasury Secretary Timothy Geithner shortly after they arrived in Beijing for the second round of the China-United States Strategic and Economic Dialogue. This was the only Chinese television interview that they accepted during this visit to China.

9 November

The second "Xing Yun Award for the Truest, Most Virtuous and Beautiful News Broadcasting" ceremony was held in Taipei, and the head of the Taiwan Executive Yuan, Mr. Wu Dunyi, gave the Chairman and Chief Executive of Phoenix, Mr. LIU Changle, the "the Greater Chinese World Special Award — the Award for Outstanding Media Business".


9 November

At the Association of International Broadcasting's International Media Excellence Awards event Phoenix Satellite Television won the "People's Choice" for its documentary "Global Warming", beating entries by CNN, BBC, Sky Television and other broadcasters. Another Phoenix programme, "North Korean Travel Journey 2009", won the award for the "Best TV Historical Documentary".

Chairman's Statement

The Group's Revenue for the year ended 31 December 2010 was approximately HK$2,598,314,000 which represented a growth of 71.0% as compared to 2009.

Financial Summary

- Revenue for the year ended 31 December 2010 was 71.0% higher than the previous year, reaching approximately HK$2,598,314,000.
- The profit attributable to owners of the Company increased to approximately HK$421,822,000, which was a 40.7% improvement over the profit achieved in 2009.
- The Board recommended a final dividend of 3.3 Hong Kong cents per share.

Results

The Group's revenue for the year ended 31 December 2010 was approximately HK$2,598,314,000, which represented a 71.0% increase over the revenue earned in 2009. The main drivers behind this result were the growth in broadcasting advertising, outdoor advertising and new media revenue. Total operating costs increased by 57.0% to approximately HK$1,875,358,000. The upward movement in operating costs was mainly due to the expansion of the new media and outdoor media businesses.

The Group's operating profit for the year ended 31 December 2010 was approximately HK$722,956,000, which represented an increase of 122.4% over the same period of the previous year. Profit attributable to owners of the Company was approximately HK$421,822,000, which was an increase of 40.7% compared with the same period last year. The operating profit was mainly generated by the increases in broadcasting, new media and outdoor advertising revenues.

Convertible Series A Preferred Shares ("Preferred Shares") were issued by Phoenix New Media Limited, an indirectly-owned subsidiary of the Company, in November 2009. In accordance with Hong Kong Accounting Standard 39, the Preferred Shares represent a compound financial instrument with debt and derivative components. Interest accretion of preference share liability's debt component included under other expenses for the year was approximately HK$41,577,000 (for the year ended 31 December 2009: HK$3,781,000). The derivative component is subsequently fair valued at each balance sheet date with changes in fair value being reflected in the consolidated income statement. The fair value of the derivative component for the year is increased by HK$169,087,000 (for the year ended 31 December 2009: Nil), this is also reflected as other expenses in the consolidated income statement for the year. Please refer to note 37 of the notes to the consolidated financial statements for details of the preference share liability. Other income mainly comprised a fair value gain of approximately HK$21,979,000 (for the year ended 31 December 2009: HK$37,176,000) which was recognized for the investment property under construction in Beijing.

Chairman's Statement

The chart presented below compares the Group's performance for the year ended 31 December 2010 with that for the 2009 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Phoenix Chinese Channel	**1,217,588**	979,427
Phoenix InfoNews Channel	**321,658**	232,894
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others	**139,937**	108,711
New media	**593,380**	70,438
Outdoor media	**268,210**	72,066
Other businesses	**57,541**	56,112
Group's total revenue	**2,598,314**	1,519,648
Operating costs	**(1,875,358)**	(1,194,538)
Profit from operations	**722,956**	325,110
Other (expenses) / income, net	**(168,246)**	54,367
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	**554,710**	379,477
Share of losses of jointly controlled entities and an associate	**(1,796)**	(755)
Income tax expense	**(108,490)**	(76,735)
Non-controlling interests	**(22,602)**	(2,241)
Profit attributable to owners of the Company	**421,822**	299,746
Basic earnings per share, Hong Kong cents	**8.46**	6.05

Business Overview and Prospects

The Group's performance during the 2010 financial year has been extremely positive, with a 71.0% increase in revenue over the same period last year. The fact that this outcome follows a good performance in 2009, when revenue grew by 9.9%, underscores that the Group's business model is very effective in the current international economic environment.

This period's extremely positive results came from both a major increase in revenue for the core television business, but also a dramatic increase in the revenue being generated by the new areas into which the Group has been expanding in recent years, namely the new media and the outdoor advertising LED businesses.

The Group's new media operations secured an enormous growth in revenue, with an eight-fold increase in income over the previous year. In part this was a consequence of the Group acquiring access to the revenue flow of two controlled entities which carry out much of the new media business, but it is also an outcome that reflects the growing popularity and availability of the internet in mainland China. The Phoenix new media carries much Phoenix programming, and thus expands the availability of Phoenix programming to an audience that previously did not have access to the normal distribution systems in China and internationally, and by doing so greatly consolidates the Phoenix brand name. The Company's management is exploring the possibility of the new media business offering its own shares. The Group expects that, in such an event, it would retain an equity and voting interest of over 50% in the listed company, and continue to consolidate the financial results of the new business.

The Group's outdoor LED advertising project has also generated a considerable increase in revenue, with the income from this new business area growing more than three times compared to the last financial year.

The Group's core television business also continued to increase its revenue. The Phoenix Chinese Channel's income increased by some 24%, while the Phoenix InfoNews Channel's income grew by some 38%, underscoring the demand of the Chinese audience for comprehensive and objective international news. InfoNews covered the major news stories that broke during the year, including the massive earthquake that hit Haiti in January, the sinking of the South Korean naval vessel Cheonan and the subsequent tensions on the Korean Peninsula including the North Korean shelling of Yeonpyeongdo Island, the severe floods that hit many parts of southern and western China and the earthquake in Yushu, the at times highly controversial negotiation of the Economic Cooperation Framework Agreement between Taiwan and the mainland, the killing of a group of Hong Kong tourists in Manila, the rescue of miners trapped underground in Chile, and the Burmese elections, which were the first elections for 20 years.

The major growth of revenue from the new media and the outdoor advertising businesses underscores that the Group's strategy to expand beyond the core television business into other areas is well based. The substantial growth in the income of the television business confirms the value of television as the central component of the Group's activities, but the marked improvement in both the new media and the outdoor advertising revenues demonstrates that the Group is successfully expanding its commercial base and consequently developing a broad foundation that should help ensure long-term commercial viability.

In keeping with the management's confidence that its strategy of business development is well attuned to current trends, the Group will be launching a Hong Kong Channel in late March. This channel will broadcast in Cantonese, and serve the Cantonese-speaking Chinese audience in Hong Kong, Guangdong Province and other Asia Pacific countries. This new channel will place a strong emphasis on news and economic and commercial information.

The Group's strong performance reflects the fact that the Chinese economy has weathered the Global Financial Crisis, and that many companies are now actively seeking to build their brand names and images after the period of caution caused by negative global trends. Commentary by marketing analysts has identified a general growth in advertising expenditure as the international economy recovers from the financial challenges of the last three years, which means that the Phoenix performance over this period probably reflects a broader trend. The mainland advertising market underwent a significant change during the course of the year, however, when the State Administration of Radio, Film and Television introduced a regulation that limited the amount of time that could be devoted to advertising each hour. This prompted many mainland-based television broadcasters to increase the cost of advertising, but also led to foreign-based satellite broadcasters such as Phoenix being increasingly sought after by advertisers who want to make maximum use of satellite TV stations that are not bound by the new regulations.

While the Group's excellent results might be the consequence of the recovery of the international economy, the fact that this year's results follow a positive performance in the previous year represents encouraging evidence that the Phoenix model should continue to function well as the current economic environment continues to evolve.

LIU Changle
Chairman

Hong Kong, 8 March 2011

Asia Pacific

As a satellite broadcaster Phoenix is primarily distributed by AsiaSat 3S, which has a footprint covering the Asia-Pacific region. On the Chinese mainland, Phoenix is downloaded to many regional cable networks by Sinosat, and in Hong Kong it is on all major distribution systems. In many other countries and regions Phoenix is also carried by local operators.

Malaysia

Phoenix is distributed by ASTRO, the major DTH operator, in Malaysia.

Singapore

Phoenix is carried by StarHub in Singapore.

Indonesia

Phoenix is carried by Kabelvision, Skynindo and PT KMA in Indonesia.

Thailand

Phoenix is carried by True Vision.

Japan

Phoenix is carried by Daifu Co. Ltd. in Japan.

Australia

Phoenix is carried by the Jade Interactive system and is also available from ASIASAT 3S.

Phoenix global reach

Phoenix news bureaux and reporters. Phoenix also uses material from independent reporters based in Brazil, Canada, Mexico, Germany, Hungary, Pakistan and Spain.

Phoenix Chinese Channel

資訊台 Phoenix InfoNews Channel

Phoenix NA Chinese Channel

Phoenix CNE Channel

Phoenix Movies Channel

鳳凰網 ifeng.com Phoenix Website

鳳凰週刊 Phoenix Weekly

A Global Media Organisation

New Zealand
Phoenix is carried by WorldTV in New Zealand.

Africa
Phoenix is carried by the TELSTAR-12 satellite.

South Africa
Phoenix is now carried on the SATMEX-6 satellite.

North America
Phoenix North America Chinese Channel and Phoenix InfoNews Channel are carried on satellite by DirecTV, EchoStar and the biggest IPTV platform Kylin. PNACC is also available on cable from Time Warner in New York, Comcast in San Francisco, Charter in Los Angeles, Rogers in the Toronto area and Shaw and NOVAS in the Vancouver area.

Europe
Phoenix Chinese News and Entertainment, the Phoenix European Channel, is carried by Sky Digital, Eurobird 6, and a number of other national cable systems in Europe.

Central and South America
Phoenix is now available on cable from Columbus in Jamaica.

Global
Outlook

Phoenix has an international outlook, and in its approach to news reporting it seeks to provide the global Chinese audience with real-time information about the major events in the Greater China region and the world at large. During the 2010 financial year Phoenix reporting covered many key international events, including the devastating earthquake in Haiti, the chaotic political demonstrations in Thailand from March through May, the death of the Polish President in an aircraft accident in Russia, the sinking by North Korea of the South Korean naval vessel Cheonan and the subsequent shelling of the South Korean island Yeonpyeongdo, the rescue of thirty miners trapped in a mine in Chile, the elections in Burma which were the first elections for 20 years, and the elections in five key municipalities in Taiwan.

Fundamental to this approach is the belief that no one is isolated from global developments and that the Phoenix audience needs to have access to information about key international events as they occur.

A Global Team The Mainland

Chen Luyu

Li Hui

Dou Wentao

Ma Bin

Olivia Xu

Wang Ruolin

Yang Juan

Chen Xiaonan

Dong Jiayao

Zhang Weina

To fulfill its role as a global broadcaster, Phoenix has a team of presenters and reporters drawn from mainland China, Taiwan, and Hong Kong as well as from the global Chinese community.

The core of the Phoenix team is drawn from the four corners of the Chinese mainland, from regional centres such as Shaanxi, Yunnan, Anhui, Hebei, Hunan and Fujian, as well as from major cities like Beijing, Shanghai, and Guangzhou.

Bai Yanqin

Shen Xing

Ren Ren

Liang Yin

Wang Lushuang

Yang Shu

Yuchi Linjia

Yang Shuang

Lu Chen

An Dong

Jiang Nan

A Global Team Taiwan

Tiger Hu

Avon Hsieh

Ivy Chu

Shannon Liu

Jason Chien

Chen Shwuwoan

Some of the most popular Phoenix presenters come from Taiwan, bringing a distinctive style that appeals to the mainland Chinese audience.

Chiang Shengyang

Shih Chiping

Sally Wu

Vie Tseng

A Global Team

Hong Kong and rest of the World

Anthony Yuen

Angela Chow

Leung Mantao

Zeng Zimo

Qiu Zhenhai

Zhu Wenhui

With its headquarters in Hong Kong, Phoenix has a strong contingent of reporters, presenters and cameramen who originate from Hong Kong, and who bring a high level of professional and technical competence to Phoenix.

The Phoenix team also includes key players who have close ties with the rest of the world, having worked, studied or acquired citizenship in many countries, including Australia, Canada and the United States.

Ada Lau

Lawrence Ho

Yang Jinlin

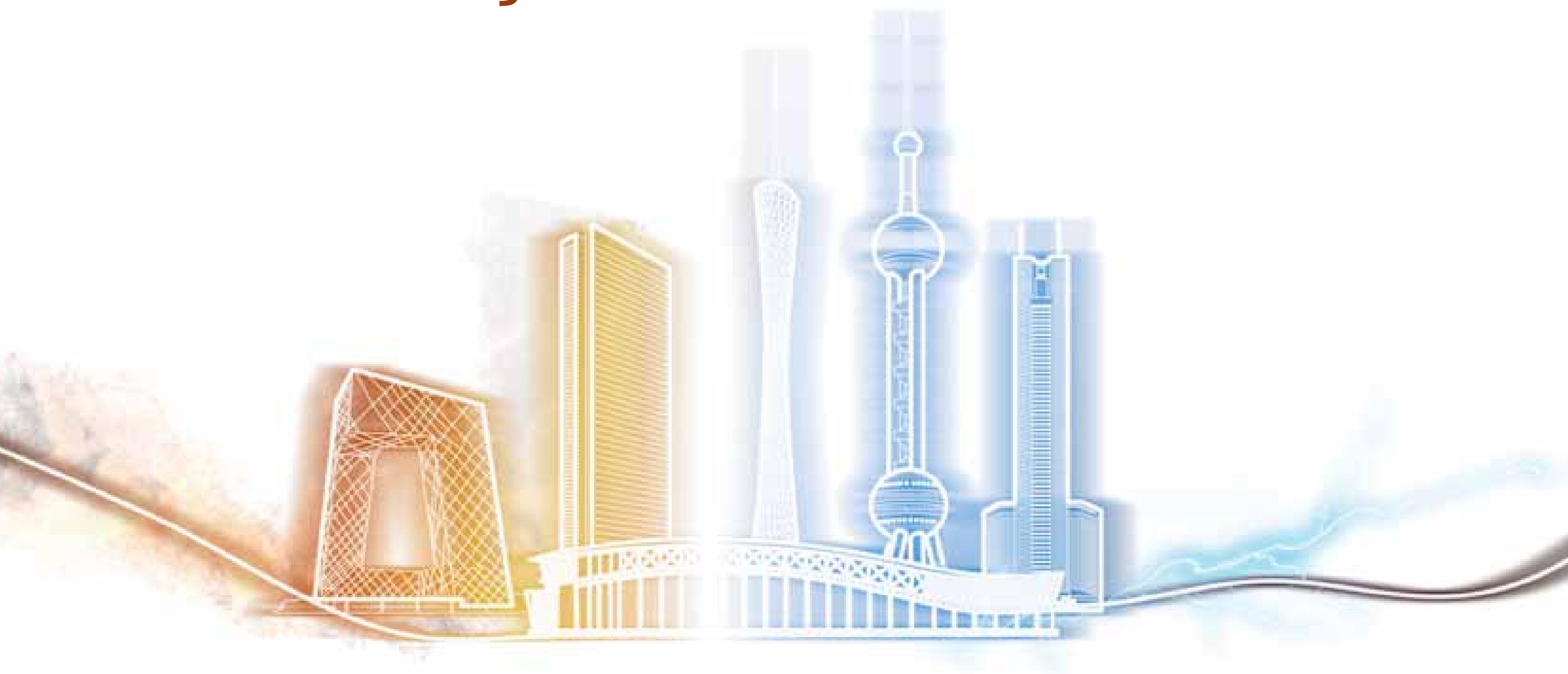
Jonathan Sa

Du Ping

Ma Ding Shing

Zheng Hao

The Chinese Gateway

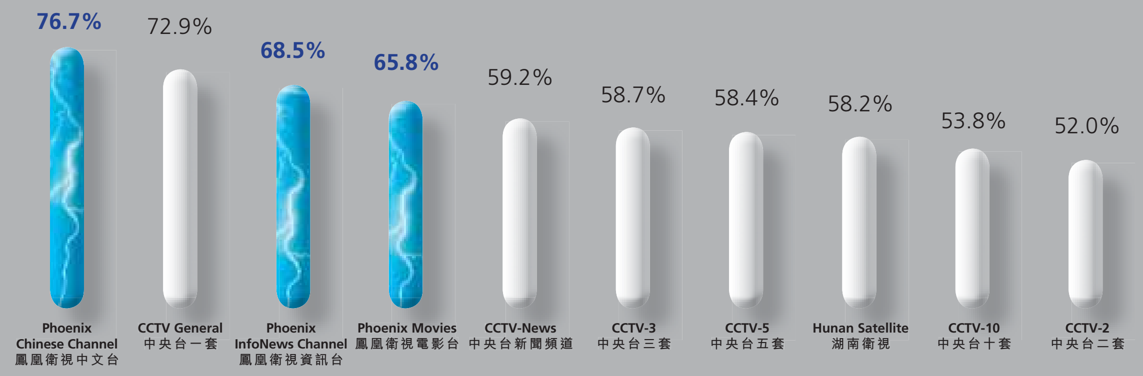


According to the 2010 Q3-Q4 “Phoenix Audience Appreciation Survey” conducted by CTR Market Research, Phoenix Chinese Channel continued to surpass other satellite channels in China by securing the No.1 position in the Audience Satisfaction Index. Since 2004, this is the fourteenth time in which Phoenix Chinese Channel has ranked at the top of the Audience Satisfaction chart.

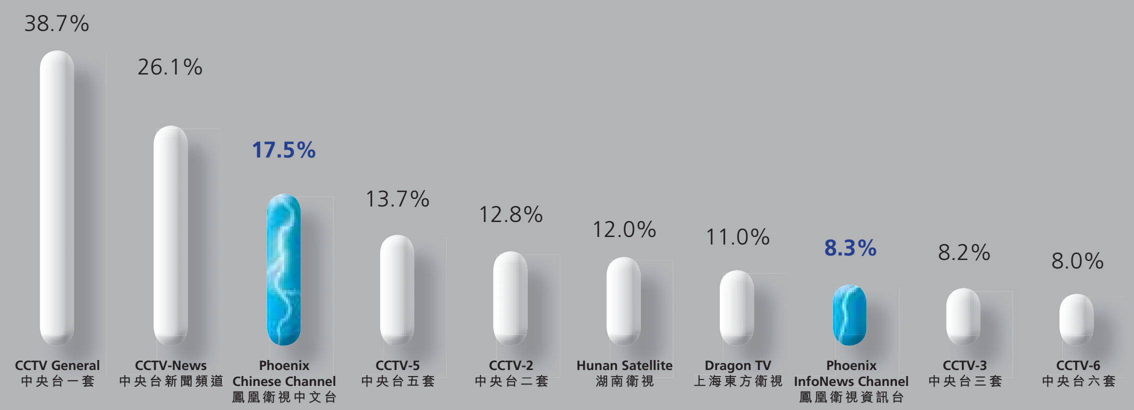
Phoenix Chinese Channel and Phoenix InfoNews Channel achieve a very high level of audience attention in offices. This high level of attention shows that Phoenix Satellite Television has a clear position among office staff, and also demonstrates that the information and news content of Phoenix Satellite Television satisfies the tastes and interests of this group of viewers.

In 2010, Phoenix Chinese Channel’s daily viewing among business executives rose 4% compared to the previous year, and remained the No.3 nationwide channel. Phoenix InfoNews Channel jumped to no. 8 nationwide channel. These figures clearly demonstrate the extensive influence that Phoenix Satellite Television enjoys among Chinese Business Executives.

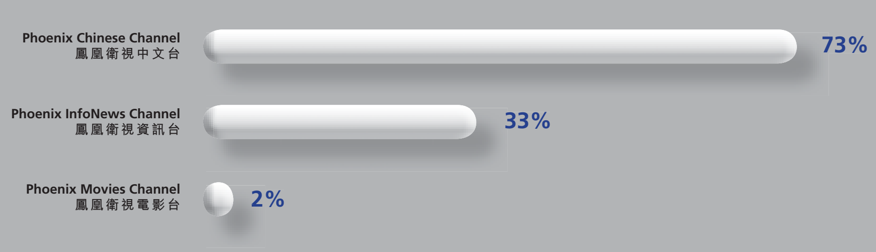
Audience Satisfaction



Phoenix Chinese Channel is the third most popular channel among business executives



Phoenix Chinese Channel is the most watched channel in the office



Corporate Information

Board of Directors

Executive Directors

LIU Changle (Chairman)
CHUI Keung
WANG Ji Yan

Non-executive Directors

SHA Yuejia
GAO Nianshu
Jan KOEPPEN
CHEUNG Chun On, Daniel
GONG Jianzhong

Independent Non-executive Directors

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK

Alternate Directors

GAO Jack Qunyao
Ella Betsy WONG

Compliance Officer

CHUI Keung

Company Secretary

YEUNG Ka Keung, A.C.A.

Cayman Islands Assistant Secretary

Codan Trust Company (Cayman) Limited

Qualified Accountant

YEUNG Ka Keung, A.C.A.

Audit Committee

Thaddeus Thomas BECZAK (Chairman)
LO Ka Shui
LEUNG Hok Lim
CHEUNG Chun On, Daniel

Remuneration Committee

Thaddeus Thomas BECZAK
LO Ka Shui
LEUNG Hok Lim
CHEUNG Chun On, Daniel
GAO Nianshu

Auditor

PricewaterhouseCoopers

Head Office and Principal Place of Business

No. 2-6 Dai King Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar

Hong Kong Registrars Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications
CITIC Bank International Limited

Website Address

www.ifeng.com
www.irasia.com/listco/hk/phoenixtv

Stock Code

02008

Management Discussion and Analysis

Comments on Segmental Information

	Year ended 31 December			
	2010		2009	
	Revenue HK$'000	**Segment results HK$'000**	Revenue HK$'000	Segment results HK$'000
Phoenix Chinese Channel	**1,217,588**	**735,753**	979,427	528,306
Phoenix InfoNews Channel	**321,658**	**72,273**	232,894	11,378
Other channels	**139,937**	**29,755**	108,711	(10,446)
New media	**593,380**	**(125,776)**	70,438	21,317
Outdoor media	**268,210**	**55,585**	72,066	(34,451)
Other businesses	**57,541**	**20,536**	56,112	38,987
Group's total revenue and segment results	**2,598,314**	**788,126**	1,519,648	555,091
Unallocated income		**12,103**		12,672
Unallocated expenses		**(245,519)**		(188,286)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		**554,710**		379,477

Revenues from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 64.6% of the Group's total revenue for the year ended 31 December 2010, increased by 27.1% to approximately HK$1,679,183,000 (year ended 31 December 2009: HK$1,321,032,000). The segmental result for television broadcasting recorded a profit of approximately HK$837,781,000 for the year ended 31 December 2010 (year ended 31 December 2009: HK$529,238,000).

The Group's flagship channel, Phoenix Chinese Channel, accounted for 46.9% of the Group's total revenue for the year ended 31 December 2010 and showed an increase of 24.3% to approximately HK$1,217,588,000 (year ended 31 December 2009: HK$979,427,000). Phoenix InfoNews Channel's revenue accounted for 12.4% of the Group's total revenue for the year, and increased by 38.1% to approximately HK$321,658,000 (year ended 31 December 2009: HK$232,894,000).

The total revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 28.7% as compared to the year ended 31 December 2009 to approximately HK$139,937,000 (year ended 31 December 2009: HK$108,711,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contribute to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year increased to HK$593,380,000 (year ended 31 December 2009: HK$70,438,000). The segmental loss of new media after deduction of interest accretion and changes in fair value of the preference share liability was HK$125,776,000 (year ended 31 December 2009: profit HK$21,317,000). The profit from operations, which represents profit before tax, interest expense and changes in fair value of preference share liability, of new media increased to HK$84,888,000 (year ended 31 December 2009: HK$25,098,000). The significant increase in new media operations was due to the expansion of business which included acquiring control over two mainland companies at the end of year 2009.

Following the maturity of the outdoor media business, the revenue and segmental profit increased to approximately HK$268,210,000 and HK$55,585,000 respectively (year ended 31 December 2009: Revenue HK$72,066,000 and segmental loss HK$34,451,000).

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

Dividend

The board ("Board") of directors of the Company (the "Directors") has decided to recommend a final dividend of 3.3 Hong Kong cents per ordinary share for the year ended 31 December 2010 (year ended 31 December 2009: 2 Hong Kong cents per ordinary share). Upon approval by the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 30 June 2011 to shareholders whose names appear on the register of members of the Company on 17 June 2011.

Annual General Meeting

The Annual General Meeting of the Company will be held at No. 2–6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 17 June 2011 at 3:00 p.m.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 13 June 2011 to Friday, 17 June 2011, both dates inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m, on Friday, 10 June 2011.

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 2010.

Management Discussion and Analysis

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2010 remained solid. The aggregate outstanding borrowings of the Group as at 31 December 2010 were approximately HK$664,478,000 (as at 31 December 2009: HK$254,227,000), representing current accounts with related companies which were unsecured and non-interest bearing, secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing and preference share liability.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 62.0% as at 31 December 2010 (as at 31 December 2009: 35.9%). The net debt to equity ratio, based on total liabilities less cash and cash equivalents to equity attributable to owners of the Company, was 2.5% as at 31 December 2010 (as at 31 December 2009: 0.5%). The increase in the gearing ratio was a consequence of the increase in preference share liability, accounts payable, other payables and accruals and the secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the financial position of the Group has remained 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 New Taiwan dollars, the exchange rate risks of the Group are considered to be minimal.

Charge on Assets

As at 31 December 2010, deposits of approximately HK$3,146,000 (as at 31 December 2009: HK$3,269,000) were pledged with banks to secure guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK$115,000,000, HK$92,000,000 and HK$371,000,000 (as at 31 December 2009: HK$93,000,000, HK$26,000,000 and HK$218,000,000) recorded in lease premium for the land, the construction in progress and the investment property under construction respectively were pledged with a bank to secure bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

Other than the above, the Group did not have any other charges on its assets as at 31 December 2010 and 31 December 2009.

Capital Structure

During the year ended 31 December 2010, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2010, the Group's operations were mainly financed by owners' equity and bank borrowings and banking facilities.

Staff

As at 31 December 2010, the Group employed 1,897 full-time staff (31 December 2009: 1,498), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2010 increased to approximately HK$553,965,000 (year ended 31 December 2009: HK$376,440,000).

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 2010 the Group invested in listed security investments with an estimated fair market value of approximately HK$24,330,000 (as at 31 December 2009: HK$53,824,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2010.

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 2010, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

Contingent Liabilities

Banking facilities amounting to approximately HK$352,117,000 (as at 31 December 2009: HK$536,779,000) represent utilities deposits and bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. Deposits of approximately HK$3,146,000 (as at 31 December 2009: HK$3,269,000) were pledged with banks to secure banking guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK$115,000,000, HK$92,000,000 and HK$371,000,000 (as at 31 December 2009: HK$93,000,000, HK$26,000,000 and HK$218,000,000) recorded in lease premium for land, construction in progress and investment property under construction respectively were pledged with a bank to secure a bank borrowing to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2010 and 31 December 2009.

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.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LIU Changle, aged 59, was appointed the chairman and chief executive officer of Phoenix Satellite Television Holdings Limited on 2 February 2000. He founded Phoenix Satellite Television Company Limited in 1996, and it is now a globally renowned trans-national multimedia group and a company listed on The Stock Exchange of Hong Kong Limited. Phoenix now operates six satellite TV channels and has expanded into other areas of business, including new media, outdoor LED, weekly magazine, publishing, radio broadcasting and education.

Mr. LIU gained widespread recognition both locally and overseas for his enthusiasm for and achievements in the media industry. Mr. LIU is the recipient of numerous titles and awards, among which include "Wiseman of the Media Industry", "Leader of Global Mandarin TV Program Providers", "the Most Innovative Chinese Business Leaders in the Asia Pacific Region", "Chinese Business Leader with the Utmost Social Responsibility in the Asia Pacific Region", "Outstanding Figure in Media Branding", "Top 10 Most Entrepreneurial Chinese Business Leaders", "Top 10 Most Innovative Media Entrepreneurs in Mainland China", "Person of the Chinese Charity" and "Ten Most Successful Men in China". Mr. LIU has also been awarded the "Robert Mundell Successful World CEO Award", the "Media Entrepreneur Award" in "Ernst & Young's China Entrepreneur Award" and the "Man of Year for Asia Brand Innovation Award". He is also the recipient of the "Top 10 Figures in 2009-2010 Media Convergence in China" award, the "Outstanding Media Management Award of the Chinese Society" in the Truth, Virtue and Beauty Media Award initiated by Buddhist Master Hsing Yun, the "Person of the Year" award of the Chinese Business Leaders Annual Meeting, and the "2001-2010 Outstanding Contributor to the Chinese Media" by the China Media Annual Meeting.

Since 2005, Mr. LIU has been the Chairman of the iEMMYs Festival, which is run by the International Academy of Television Arts & Sciences, for five consecutive years. In November 2008, Mr. LIU received the International Emmy® Directorate Award.

Mr. LIU is a visiting professor at a number of mainland universities. He has been appointed to the board of directors of Nanjing University, Tongji University and Huaqiao University. He was also conferred an honorary doctoral degree in literature by the City University of Hong Kong and was appointed the Chairman of the College International Advisory Board by the College of Business of the City University of Hong Kong.

Mr. LIU was appointed as honorary chairman of "World Chinese-language Media Co-operation Alliance" in 2009 and appointed as special consultant to the 8th Council of the Buddhist Association of China in 2010.

Mr. LIU has been appointed a Justice of the Peace by the government of the Hong Kong Special Administrative Region. He is also a member of the National Committee of the Chinese People's Political Consultative Conference, and currently serves as the Vice Chairman of the Subcommittee on Education, Science, Culture, Health and Sports, of the Eleventh National Committee of the Chinese People's Political Consultative Conference.

In July 2010, Mr. LIU was awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region.

Directors (Continued)

Executive Directors (Continued)

Mr. CHUI Keung, aged 59, appointed on 5 June 2000, is the executive director and deputy chief executive officer of the Company. Mr. CHUI graduated from the department of journalism of Fudan University in Shanghai and served in the China Central People's Radio Station for over 10 years. Since the establishment of Phoenix on 31 March 1996, he has been in charge of the overall daily operations, the public relations and promotion strategies of Phoenix, and the coordination of the relationships with PRC government entities. He also assists in establishing and implementing the corporate development strategies of the Company.

Throughout the term of office with the Phoenix Group, Mr. CHUI has been instrumental in Phoenix's PRC domestic business development, programme production, advertising operation, marketing network and public relations. In 1996, he was in charge of the production of "Flying over the Yellow River", a major television programme of Phoenix, which achieved popular success and heightened the popularity of Phoenix in the PRC and overseas Chinese communities.

Prior to joining Phoenix, Mr. CHUI was a director and the general manager of Tianhua International Culture and Art Company Limited in Beijing focusing on developing various cultural, arts and publication businesses.

Mr. WANG Ji Yan, aged 62, appointed on 29 September 2006. Mr. WANG joined Phoenix HK in March 1996 and is currently the executive vice president of Phoenix HK and the Company and Head of the Phoenix Chinese Channel. Mr. WANG taught in Beijing Broadcasting Institute (now known as the Communication University of China) for more than twenty years.

Mr. WANG is one of the leading television programme producers in China and participated in the direction and production of a number of television programmes in early years. His television programme productions have won numerous domestic and overseas awards.

Mr. WANG is also a scholar in the television industry and has been the panelist of various international television festivals. He is also a renowned media educator and has a professor title. During the two decades of teaching in the Beijing Broadcasting Institute, he was the head of the television department for over ten years and was the deputy dean of the Beijing Broadcasting Institute for six years.

Non-executive Directors

Mr. SHA Yuejia, aged 53, appointed on 19 August 2010, is also an executive director and vice president of China Mobile Limited ("China Mobile"), the ordinary shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited and its American depositary shares are listed on the New York Stock Exchange, is principally in charge of marketing, data business and corporate customer management matters. Mr. SHA has been serving on the board of directors of China Mobile since March 2006 and is a Vice President of China Mobile Communications Corporation and Director of China Mobile Communication Co., Ltd. Mr. SHA previously served as Director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, President of Beijing Telecommunications Planning Design Institute, Deputy Director General of Beijing Telecommunications Administration, Vice President of Beijing Mobile Communications Company, Director and Vice President, Chairman and President of China Mobile Group Beijing Company Limited. Mr. SHA graduated from Beijing University of Posts and Telecommunications, received a Master's Degree from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications and a doctoral degree in business administration from The Hong Kong Polytechnic University. He is a professor-level senior engineer with over 27 years of experience in the telecommunications industry.

Directors and Senior Management Profile

Directors (Continued)

Non-executive Directors (Continued)

Mr. GAO Nianshu, aged 47, appointed on 29 September 2006, is also a director of Phoenix HK. Mr. GAO is currently the general manager of data service department of China Mobile Communications Corporation. Mr. GAO previously served as assistant to president of Beijing Mobile Communication Company Limited, deputy general manager and general manager of business supporting system department and deputy general manager of marketing department of Beijing Mobile Communication Company Limited.

Mr. GAO graduated from Jilin University and received a Master's degree in engineering from Institute of Computing Technology, Chinese Academy of Science and an EMBA degree from Peking University. Mr. GAO has many years of experience in the telecommunications industry.

Mr. Jan KOEPPEN, aged 40, appointed on 30 November, 2009, is Chief Operating Officer, Europe & Asia, News Corporation. Mr. KOEPPEN works across News Corporation's businesses in the Europe and Asia region, including television, outdoor advertising, newspapers and related digital assets. He is responsible for finance, corporate development and operational improvement. News Corporation is the ultimate holding company of Xing Kong Chuan Mei Group Co., Limited, a substantial shareholder of the Company.

Mr. KOEPPEN joined News Corporation's Europe & Asia operations in April 2009. Prior to joining News Corporation's Europe & Asia operations, Mr. KOEPPEN was a Partner & Managing Director of The Boston Consulting Group ("BCG") and the world wide co-lead of BCG's media practice. During his 15-year career at BCG, Mr. KOEPPEN was based out of London, Madrid and Munich and worked on media issues relating to pay television, broadcast television, magazines, newspapers, radio, professional publishing, online video games and music. Mr. KOEPPEN holds a Bachelor of Science in Mechanical Engineering from George Washington University in Washington D.C., and also holds a Masters of Management, with a Major in Finance, from Hautes Etudes Commerciales (H.E.C.) in Paris.

Mr. CHEUNG Chun On, Daniel, aged 51, appointed on 12 October, 2009 was a non-executive Director from June 2000 to September 2006. He is also a member of each of the audit committee and remuneration committee of the Company. He is currently the chief executive officer of the Taiwan office of Satellite Television Asian Region Limited ("STARL"), overseeing STARL's businesses in Taiwan and the operations of Mandarin channels including Star Chinese Channel, Star Chinese Movies and Channel V Taiwan. STARL is a wholly owned subsidiary of News Corporation (the ultimate holding company of Xing Kong Chuan Mei Group Co., Limited, which is a substantial shareholder of the Company).

Before his appointment as chief executive officer of the Taiwan office of STARL in October 2008, Mr. CHEUNG was president director of PT Asia Global Media, a STARL joint venture terrestrial broadcaster in Indonesia. Prior to that, he was chief operating officer of China Network Systems, a joint venture between STARL and the Koos Group in Taiwan, responsible for managing Koos' cable systems, their upgrade and digitization processes.

Mr. GONG Jianzhong, aged 48, appointed on 12 January, 2007, is currently a director of certain subsidiaries of the Company. Mr. GONG is a non-executive director and vice-chairman of the board of directors of Jilin Qifeng Chemical Fiber Co., Ltd. In addition, Mr. GONG is a director and chief executive officer of Bank of China Group Investment Limited ("BOCGI") and a director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

From 2002 to 2005, Mr. GONG was an alternate director and deputy chief executive officer of BOCGI. From 2001 to 2007, Mr. GONG was a non-executive director of China Merchants China Direct Investments Limited. Mr. GONG has over 16 years of experience in banking, administration and management. He graduated from Dongbei University of Finance and Economics in the PRC in April 1991 with a master degree in economics.

Directors (Continued)

Independent Non-executive Directors

Dr. LO Ka Shui, aged 64, appointed on 5 June 2000. He is the chairman and managing director of Great Eagle Holdings Limited and the non-executive director and chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is also a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of Shanghai Industrial Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. Dr. LO is a vice president of The Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research and a board member of the Hong Kong Airport Authority and the Chairman of the Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than thirty years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. LEUNG Hok Lim, aged 75, appointed on 21 January 2005, is a fellow member of CPA Australia, a member of the Macau Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Taxation Institute of Hong Kong. Mr. LEUNG is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. LEUNG is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited, and the independent non-executive director of a number of listed companies namely Yangtzekiang Garment Limited, YGM Trading Limited, S E A Holdings Limited, Fujian Holdings Limited and High Fashion International Limited.

Mr. Thaddeus Thomas BECZAK, aged 60, is the independent non-executive director and a member of the audit committee of the Company since 11 March 2005. Mr. BECZAK is currently the chairman of Cowen Latitude Advisors Limited and vice chairman of Cowen and Company, LLC. He is also involved in a number of private companies, including the position of the non-executive chairman of ACR Capital Holdings Pte. Ltd, an Asian reinsurance company and the non-executive chairman of Artisan Du Luxe Holding Limited. Mr. BECZAK is also an independent non-executive director of a number of listed companies, including Advanced Semiconductor Manufacturing Corporation Limited, Singapore Exchange Limited and Pacific Online Limited.

From April 2005 to March 2008, Mr. BECZAK was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V.. From September 1997 until December 2003, Mr. BECZAK was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group. Most recently, he was deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited. Previously, he had been deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

From November 1997 until December 2002, Mr. BECZAK was chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a member of the Stock Exchange and a member of board of directors of the Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC).

Prior to joining the Kerry group, Mr. BECZAK was a managing director of J.P. Morgan Inc., and president of J.P. Morgan Inc., and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks. He joined J.P. Morgan in 1974. Mr. BECZAK has over 26 years of experience in Asia.

Directors and Senior Management Profile

Directors (Continued)

Independent Non-executive Directors (Continued)

Mr. BECZAK is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service at Georgetown.

Mr. BECZAK is currently an adjunct professor of the MBA program of the Hong Kong University of Science and Technology.

Alternate Directors

Dr. GAO Jack Qunyao, aged 52, appointed as alternate director to Mr. CHEUNG Chun On, Daniel on 12 October, 2009. He ceased to act as alternate director to Mr. Paul Francis AIELLO and Mr. LAU Yu Leung, John after their resignation as non-executive directors of the Company on 12 October 2009 and 30 November 2009 respectively. He is currently the director and chief executive officer of STAR (China) Limited. Dr. GAO is also the vice president of News Corporation and chief representative of the News Corporation Beijing Representative Office. Dr. GAO previously served as vice president, Asia Pacific (APAC) Emerging Geography of Autodesk, Inc., general partner of Walden International, president and general manager of Microsoft (China) Co. Limited. Dr. GAO holds doctorate, master and bachelor degrees in engineering from the University of California, Los Angeles, and Harbin Institute of Technology in China.

Ms. Ella Betsy WONG, aged 43, appointed as alternate director to Mr. Jan KOEPPEN, non-executive director of the Company on 30 November 2009, is general counsel, Asia, News Corporation. Before her appointment as general counsel, Asia, News Corporation, in August 2009, Ms. WONG was the executive vice-president and general counsel of Satellite Television Asian Region Limited ("STARL"), a subsidiary of News Corporation, heading the legal and business affairs team in Hong Kong and other Asian regional offices.

Prior to joining STARL in 1997, Ms. WONG worked in the New York and Hong Kong offices of Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman LLP) in the areas of corporate finance, joint ventures and mergers and acquisitions. Ms. WONG has a BA (Hons) law degree from Oxford University and a graduate law degree (JD) from Columbia University in New York.

Senior Management

Mr. YEUNG Ka Keung, aged 51, is the executive vice president and chief financial officer of Phoenix HK and the Company in charge of corporate finance, human resources and administration. He is also the qualified accountant and company secretary of the Company. Mr. YEUNG joined Phoenix in March 1996 and has been in charge of all of Phoenix's internal and external financial management and arrangements as well as the supervision of administration and personnel matters.

Mr. YEUNG graduated from the University of Birmingham and remained in the United Kingdom until 1992 after obtaining his qualification as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and Star Television Limited in the fields of finance and business development.

Mr. CHAU Kwan, aged 55, is the executive vice president of Phoenix HK and the Company. He graduated from the Beijing Broadcasting Institute in July 1990 with a major in Editing Studies in School of Television.

Mr. CHAU joined Phoenix in 1998. He was the head of Phoenix Movies Channel, director of programming of Phoenix HK, general manager of Phoenix Film and Television (Shenzhen) Co. Limited (鳳凰影視(深圳)有限公司) and deputy vice president of Phoenix HK. He has held the current positions since 2002. Mr. CHAU has also taken up the position of vice president of Phoenix's Shenzhen management office since 2005, and is responsible for managing the advertising operation and business of the Group.

Corporate
Governance Report

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

Corporate Governance Practices

The Company 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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") – 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.

The board (the "Board") of directors of the Company (the "Directors") monitored the progress on corporate governance practices of the Company throughout the year under review. The following summaries the corporate governance practices of the Company and explanations of deviations from the Code.

Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2010, 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 since its incorporation. He is responsible for managing the Board and the businesses of the Company and its subsidiaries (collectively, the "Group").

On 26 November 2008, Mr. LIU entered into a non-competition deed taking effect on 5 December 2008 in favour of the Company in order to manage any potential competing interest with the Group. Details were set out in the announcement of the Company dated 26 November 2008.

He has also unconditionally and irrevocably undertaken to the Company that he shall use his best endeavours to ensure that his associates and the respective employees of his associates (except for those within the Group) observe the restrictions and undertakings contained in the Non-Competition Deed.

The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the audit committee, balance of power and authority can be ensured and there is no imminent need to change the arrangement.

Corporate Governance Report

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 two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The Board considers that there is no imminent need to amend the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the 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 above-mentioned required standards of dealings regarding directors' securities transactions throughout the year ended 31 December 2010.

The Company has also adopted a code of conduct governing securities transactions by employees of the Group who may possess or have access to price sensitive information in relation to the Group or its securities.

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 considers that all of the independent non-executive Directors are independent and has received from each of the independent non-executive Directors the annual confirmation of independence required by the Listing Rules.

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

Board of Directors (Continued)

There were five Board meetings including one telephone conference held in the financial year ended 31 December 2010. 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)		4/5
Mr. CHUI Keung		5/5
Mr. WANG Ji Yan		4/5
Non-executive Directors		
Mr. LU Xiangdong	(resigned on 23 March 2010)	1/1
Mr. GAO Nianshu		5/5
Mr. LI Yue	(Appointed on 23 March 2010 to fill up the vacancy of Mr. LU Xiangdong. Mr. LI Yue resigned on 19 August 2010)	1/1
Mr. SHA Yuejia	(Appointed on 19 August 2010 to fill up the vacancy of Mr. LI Yue.)	0/2
Mr. GONG Jianzhong		0/5
Mr. Jan KOEPPEN		2/5
Mr. CHEUNG Chun On, Daniel		5/5
Independent Non-executive Directors		
Dr. LO Ka Shui		3/5
Mr. LEUNG Hok Lim		5/5
Mr. Thaddeus Thomas BECZAK		5/5
Alternate Director		
Dr. GAO Jack Qunyao (alternate to CHEUNG Chun On, Daniel)		0/0
Ms. Ella Betsy WONG (alternate to Jan KOEPPEN)		1/1

During regular meetings held on 18 March, 25 May, 19 August, 18 November and a telephone conference held on 1 November of year 2010 of the Board, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discussed the half-yearly and annual results, as well as discussed and decided 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.

Corporate Governance Report

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 and half-yearly report and to provide advices and comments thereon to the Board. The audit committee meets at least twice 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. CHEUNG Chun On, Daniel and three independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman), Dr. LO Ka Shui and Mr. LEUNG Hok Lim.

The audit committee held two meetings in 2010. Details of the attendance record of the audit committee meetings are as follows:

Name of Director	Attended/ Eligible to attend
Independent Non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Dr. LO Ka Shui	1/2
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. CHEUNG Chun On, Daniel	2/2

The audit committee reviewed the Group's annual audited results for the year ended 31 December 2010 with management and the Company's external auditors and recommended their adoption by the Board.

Remuneration Committee

The Company established the remuneration committee with written terms of reference 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. CHEUNG Chun On, Daniel and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

In 2010, the remuneration committee recommended to the Board the bonus payments for year 2010 and increment in salary and housing allowance (if any) for year 2011 for the executive Directors and staff by way of written resolutions passed by all the committee members.

Board Committees (Continued)

Ad Hoc Committee

The Company has adopted the terms of reference of the ad hoc committee 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 Auditor's 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 independent auditor's responsibilities are set out in the Independent Auditor's Report.

Internal Control

The Board has overall responsibility for the establishment and maintenance of a sound and effective system of internal control for the Group to safeguard Shareholders' investment and the Group's assets.

To assist the Board in monitoring the internal control function, the Group has established an internal audit department ("Internal Audit") in 2010 to provide an independent appraisal and assurance of its governance, risk management and control processes.

The Internal Audit reports functionally to the audit committee on audit and control matters to preserve its independence. The Internal Audit Charter and the annual internal audit plan were duly approved by the Board. The Internal Audit evaluates the adequacy and effectiveness of the Group's system of internal control by adopting a risk-based audit approach, focusing on major processes and activities which are quantitatively or qualitatively significant to the Group. Internal Audit provides practical and value added recommendations on identified control failings and weakness, which the major audit issues would be escalated to senior management and the audit committee for assessment and remedial actions.

During 2010, the Board, through the audit committee and with the assistance of the Internal Audit, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2010, covering all material operational, financial and compliance controls and risk management functions, and considers that the system of internal control is appropriately designed and effective.

The audit committee has also assessed in the aforementioned review the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's accounting and financial reporting function and considers that they are adequate.

Corporate Governance Report

External Auditor

PricewaterhouseCoopers ("PwC") has been appointed as the external auditor 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 2010 HK$	31 December 2009 HK$
Audit Service	**3,244,000**	3,040,000
Tax Service	**138,000**	405,000
Advisory Service	**–**	800,000
Total	**3,382,000**	4,245,000

Investor Relations

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.

Shareholders are encouraged to attend the annual general meeting of the Company ("AGM") and the Directors always make efforts to fully address any questions raised by the shareholders at the AGM.

The Company provides extensive information about Phoenix to the investors and potential investors through the Company website www.ifeng.com. Hard copies of the annual report, half-year report and quarterly report (if any) are sent to all the Shareholders, which are also available on the company website and the professional investor relation website on www.irasia.com/listco/hk/phoenixtv.

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.

On behalf of the Board

LIU Changle
Chairman

8 March 2011

Report of Directors

The directors (the "Directors") submit their report together with the audited consolidated financial statements of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2010.

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 20 to the consolidated financial statements.

An analysis of the Group's performance for the year by reportable segments is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 71.

The Directors recommend the payment of a final dividend of 3.3 Hong Kong cents per ordinary share, totaling approximately HK$164,572,000 to be payable to shareholders whose names appear on the register of members of the Company on 17 June 2011. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 30 June 2011.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 13 June 2011 to Friday, 17 June 2011, both dates inclusive, during which period, no transfer of share of the Company will be effected. In order to qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 10 June 2011.

Reserves

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Movement in the reserves of the Company during the year are set out in Note 34 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$70,000 (2009: HK$141,000).

Property, Plant and Equipment

Details of the movement in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

Investment Property under Construction

Details of the movement in investment property under construction of the Group during the year are set on in Note 16 to the consolidated financial statements.

Report of Directors

Share Capital and Share Options

Details of the movement in share capital and share options of the Company during the year are set out in Note 32 and Note 33, respectively, to the consolidated financial statements.

Pre-Emptive Rights

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2010, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$367,816,000 (2009: HK$452,557,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 146.

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. 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.

Pursuant to the written resolutions of the Committee dated 26 November 2008, the Post-IPO Share Option Scheme had been terminated on 5 December 2008 due to the transfer of listing of the shares of the Company ("Shares") from Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the main board operated by the Stock Exchange.

On 19 June 2009, the Shareholders approved and adopted a new share option scheme (the "New Share Option Scheme") of the Company.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Pre-IPO Share Option Scheme

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 on 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 in respect of which options are issuable under the scheme is 484,706,000 shares, representing 10% and 9.72%, respectively, of the issued share capital of the Company as at the date of listing of the Shares on GEM on 30 June 2000 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.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Pre-IPO Share Option Scheme (Continued)

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 an option which is vested and 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	up to 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

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 Pre-IPO Share Option Scheme has no remaining life as no further options can be granted but the provisions of the scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Pre-IPO Share Option Scheme may continue to be exercisable in accordance with the terms of issue. On 13 June 2010, the term of the Pre-IPO Share Option Scheme was expired.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Pre-IPO Share Option Scheme (Continued)

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

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Balance as at 1 January 2010	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
3 executive Directors:								
LIU Changle	2000.06.14	2000.06.14 to 2004.06.13	2001.06.14 to 2010 06.13	1.08	5,320,000	–	(5,320,000)	–
CHUI Keung	2000.06.14	2000.06.14 to 2004.06.13	2001.06.14 to 2010 06.13	1.08	2,508,000	–	(2,508,000)	–
WANG Ji Yan	2000.06.14	2000.06.14 to 2004.06.13	2001.06.14 to 2010 06.13	1.08	3,990,000	–	(3,990,000)	–
27 other employees	2000.06.14	2000.06.14 to 2004.06.13	2001.06.14 to 2010 06.13	1.08	3,928,000	(690,000)	(3,238,000)	–
Total: 30 employees					15,746,000	(690,000)	(15,056,000)	–

During the year ended 31 December 2010, 15,056,000 options granted to executive Directors and employees were exercised. At the date before the options were exercised, the weighted average closing price per Share was HK$1.94.

During the year ended 31 December 2010, 690,000 options granted to employees lapsed at the expiry date of the exercise period on 13 June 2010.

Save as disclosed above, no other option was granted, exercised, lapsed or cancelled during the year.

During the year ended 31 December 2010, no option was granted to the Directors, chief executive or 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 under the Pre-IPO Share Option Scheme.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of Post-IPO Share Option Scheme

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

Shareholders' approval had been obtained on 6 August 2002 to refresh the 10% limit. The Directors might grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 9.89% 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 an option which is vested and 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	up to 100%

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of Post-IPO Share Option Scheme (Continued)

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

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 the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (c) the nominal value of the Shares.

The remaining life of the scheme

The Post-IPO Share Option Scheme has no remaining life as no further options can be granted but the provisions of the scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Post-IPO Share Option Scheme may continue to be exercisable in accordance with the terms of issue.

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

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Balance as at 1 January 2010	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
1 employee	2001.02.15	2001.02.15 to 2005.02.14	2002.02.15 to 2011.02.14	1.99	500,000	–	–	500,000
10 employees	2001.08.10	2001.08.10 to 2005.08.09	2002.08.10 to 2011.08.09	1.13	4,200,000	–	(400,000)	3,800,000
1 employee	2002.12.20	2002.12.20 to 2006.12.19	2003.12.20 to 2012.12.19	0.79	600,000	–	–	600,000
30 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	10,268,000	–	(1,223,500)	9,044,500
Total: 42 employees					15,568,000	–	(1,623,500)	13,944,500

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of Post-IPO Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year ended 31 December 2010, 1,623,500 options granted to employees were exercised. At the date before the options were exercised, the weighted average price was HK$2.43.

During the year ended 31 December 2010, no option granted to an employee lapsed when he ceased employment with the Group.

Save as disclosed above, no option was granted, exercised, lapsed or cancelled during the year.

During the year ended 31 December 2010, no option was granted to the Directors, chief executive or 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 under the Post-IPO Share Option Scheme.

(3) Summary of New Share Option Scheme

On 19 June 2009, the Shareholders approved and adopted the New Share Option Scheme of the Company. The New Share Option Scheme is administered by a committee of four Directors (the "New Share Option Scheme Committee").

Purpose of the scheme

The purpose of the scheme is to retain and provide incentive to the employees of the Group to achieve its business objectives.

The participants of the scheme

Any full-time employees of the Company or any subsidiary, including any director of the Company or any subsidiary, may take up options to subscribe for the Shares.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme is 495,441,200 shares, representing 9.93% of the issued share capital of the Company 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 the Shares the subject of such option, when added to the number of the Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of the Shares previously subscribed by the eligible person under any options granted to the eligible person under the New Share Option Scheme exceeding 25% of the aggregate number of the Shares available for subscription under the scheme at that time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of New Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option 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 vesting schedule:

Date of exercise of an option	Percentage of Shares comprised in an option which is vested and 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	up to 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

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 New Share Option Scheme Committee and will be no less than the highest of (a) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet for the five business days immediately preceding the date of grant and (c) the nominal value of the Shares.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of New Share Option Scheme (Continued)

The remaining life of the scheme

The New Share Option 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 New Share Option Scheme to the employees of the Group to acquire the Shares were as follows:

					Number of share options				
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Balance as at 1 January 2010	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	5,254,000	–	–	(210,000)	5,044,000

During the year ended 31 December 2010, 210,000 options granted to employees were exercised. At the date before the option were exercised, the weighted average price was HK$2.3. Save as disclosed above, no option was granted, exercised, lapsed or cancelled during the year. No option has been granted to the Directors, chief executive or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the New Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the New Share Option Scheme.

(B) Share Option Schemes of the Subsidiaries of the Company

(1) PHOENIXi Plan

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan").

Summary of PHOENIXi Plan

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.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PHOENIXi Plan (Continued)

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 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 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.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PHOENIXi Plan (Continued)

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 a 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 a 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 a 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 PHOENIXi 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.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PHOENIXi Plan (Continued)

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 2010, no options had been granted under the PHOENIXi Plan. PHOENIXi is currently undergoing a liquidation process.

(2) PNM Share Option Scheme

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

Summary of PNM Share Option Scheme

Purpose of the scheme

The purposes of the PNM Share Option Scheme is to recognise the contribution or potential contribution of the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates by granting options to them as incentives or rewards.

The participants of the scheme

Subject to the terms of the PNM Share Option Scheme and for so long as PNM remains a subsidiary of the Company, subject also to the Listing Rules, the board of directors of PNM ("PNM Board") may, at its absolute discretion (subject to any terms and conditions as it may think fit) during the scheme period, make offers to any eligible persons to take up options. The eligibility of the eligible persons is determined by the PNM Board with reference to their past and expected commitment and contribution to PNM and/or its affiliates.

The total number of securities available for issue

The total number of shares available for issue under options which may be granted under the PNM Share Option Scheme and any other share option schemes of PNM shall not in aggregate exceed 10% of 320,000,000 shares of PNM in issue ("PNM Shares") on 20 June 2008, being the effective date of PNM Share Option Scheme.

The maximum number of PNM Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PNM Share Option Scheme and any other share option schemes of PNM shall not exceed 30% of the PNM Shares in issue from time to time.

Shareholders' approval had been obtained on 20 June 2008 to grant an aggregate of 67,000,000 options, representing approximately 20.94% of the PNM Shares in issue, under the PNM Share Option Scheme.

The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders and shareholders of PNM ("PNM Shareholders") in the manner set out in the PNM Share Option Scheme, the total number of PNM Shares issued and to be issued upon the exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period up to and including the offer date shall not exceed 1% of the PNM Shares in issue as at the offer date.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM Share Option Scheme (Continued)

Time of exercise of option

Pursuant to the PNM Share Option Scheme, options may be exercised with its terms at any time during a period as notified by the PNM Board to each eligible person in the offer, provided that such period shall not be longer than 10 years from the date of offer. The PNM Board may also impose restrictions on the exercise of an option during the period an option may be exercised.

The amount payable on acceptance of the option

Pursuant to the PNM Share Options Scheme, HK$1.00 (or foreign currency equivalent) is payable to PNM by the eligible persons by 5:00p.m. on the date specified in the offer letter as the latest date for acceptance.

The basis of determining the exercise price

The option price shall be determined by the PNM Board on a fair and reasonable basis, taking into consideration the prevailing market condition, performance of PNM and after having assessed the efforts, performance and/or future potential contribution of the eligible person to the success of the business and operations of PNM (and its affiliates from time to time), which shall be no less than the nominal value of the PNM Shares on the date of offer.

The remaining life of the scheme

The PNM Share Option Scheme will remain valid for a period of 10 years commencing on 20 June 2008 (save that PNM, by an ordinary resolution of PNM Shareholders and an ordinary resolution of the Shareholders (for so long as PNM remains a subsidiary of the Company) in general meetings may at any time terminate the operation of the PNM Share Option Scheme).

During the year ended 31 December 2010, 15,768,225 options had been granted to eligible persons consisting of staff of Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), a wholly-owned subsidiary of PNM, under the PNM Share Option Scheme.

During the year ended 31 December 2010, 41,151,800 options granted to 15 employees were exercised at US$0.03215 per share.

During the year ended 31 December 2010, 4,727,045 options granted to 65 employees lapsed.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

					Number of share options			
Grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2010	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
Liu Shuang (Note)	2008.07.04	2008.07.04-2018.05.25	0.03215	12,000,000	–	–	(12,000,000)	–
	2010.01.08	2010.09.15-2018.05.25	0.03215	–	3,168,000	–	(990,000)	2,178,000
Li Ya (Note)	2008.07.04	2008.07.04-2018.05.25	0.03215	8,800,000	–	–	(8,800,000)	–
	2009.09.15	2010.09.15-2018.05.25	0.03215	3,080,000	–	–	(962,500)	2,117,500
Liu Kexin (Note)	2008.07.04	2008.07.04-2018.05.25	0.03215	6,000,000	–	–	(6,000,000)	–
	2010.01.08	2010.09.15-2018.05.25	0.03215	–	1,200,000	–	(375,000)	825,000
Other staff of Fenghuang On-line	2008.07.04	2008.07.04-2018.05.25	0.03215	20,511,075	–	(311,400)	(6,362,175)	13,837,500
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.07.24-2018.05.25	0.03215	30,000	–	–	–	30,000
	2008.07.04	2008.07.31-2018.05.25	0.03215	1,200	–	–	–	1,200
	2008.07.04	2008.08.02-2018.05.25	0.03215	13,000	–	–	–	13,000
	2008.07.04	2008.08.13-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.08.20-2018.05.25	0.03215	18,000	–	–	–	18,000
	2008.07.04	2008.08.28-2018.05.25	0.03215	6,000	–	(2,625)	–	3,375
	2008.07.04	2008.09.03-2018.05.25	0.03215	29,400	–	(11,000)	–	18,400
	2008.07.04	2008.09.04-2018.05.25	0.03215	32,000	–	–	–	32,000
	2008.07.04	2008.09.06-2018.05.25	0.03215	3,600	–	–	–	3,600
	2008.07.04	2008.09.10-2018.05.25	0.03215	2,400,000	–	–	(1,950,000)	450,000
	2008.07.04	2008.09.13-2018.05.25	0.03215	6,000	–	(2,625)	–	3,375
	2008.07.04	2008.09.17-2018.05.25	0.03215	54,000	–	(15,000)	–	39,000
	2008.07.04	2008.09.20-2018.05.25	0.03215	4,000	–	(4,000)	–	–
	2008.07.04	2008.09.24-2018.05.25	0.03215	24,000	–	–	–	24,000
	2008.07.04	2008.09.27-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.10.08-2018.05.25	0.03215	20,000	–	–	–	20,000
	2008.07.04	2008.10.10-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.10.22-2018.05.25	0.03215	24,000	–	–	–	24,000
	2008.07.04	2008.10.23-2018.05.25	0.03215	18,000	–	(5,250)	–	12,750
	2008.07.04	2008.10.24-2018.05.25	0.03215	24,000	–	–	–	24,000
	2008.07.04	2008.10.29-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.10.31-2018.05.25	0.03215	6,000	–	(6,000)	–	–
	2008.07.04	2008.11.19-2018.05.25	0.03215	32,000	–	–	–	32,000
	2008.07.04	2008.12.03-2018.05.25	0.03215	62,000	–	–	–	62,000
	2008.07.04	2008.12.10-2018.05.25	0.03215	12,000	–	(12,000)	–	–
	2008.07.04	2008.12.12-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.12.17-2018.05.25	0.03215	44,000	–	(32,000)	–	12,000
	2008.07.04	2008.12.24-2018.05.25	0.03215	6,000	–	(2,250)	–	3,750
	2008.07.04	2008.12.26-2018.05.25	0.03215	25,000	–	(8,313)	–	16,687
	2008.07.04	2008.12.29-2018.05.25	0.03215	150,000	–	–	–	150,000

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2010	Number of share options: Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
Other staff of Fenghuang On-line	2008.07.04	2009.01.02-2018.05.25	0.03215	100,000	–	–	–	100,000
	2008.07.04	2009.01.15-2018.05.25	0.03215	620,000	–	–	–	620,000
	2008.07.04	2009.01.28-2018.05.25	0.03215	12,000	–	(12,000)	–	–
	2008.07.04	2009.02.14-2018.05.25	0.03215	206,250	–	–	–	206,250
	2008.07.04	2009.02.15-2018.05.25	0.03215	24,000	–	–	–	24,000
	2008.07.04	2009.02.25-2018.05.25	0.03215	9,000	–	–	–	9,000
	2008.07.04	2009.02.26-2018.05.25	0.03215	12,000	–	(2,625)	–	9,375
	2008.07.04	2009.02.27-2018.05.25	0.03215	3,000	–	(3,000)	–	–
	2008.07.04	2009.02.28-2018.05.25	0.03215	9,000	–	(6,000)	–	3,000
	2008.07.04	2009.03.03-2018.05.25	0.03215	6,000	–	(2,625)	–	3,375
	2008.07.04	2009.03.10-2018.05.25	0.03215	53,900	–	(5,407)	–	48,493
	2008.07.04	2009.03.12-2018.05.25	0.03215	14,000	–	(14,000)	–	–
	2008.07.04	2009.03.17-2018.05.25	0.03215	15,600	–	–	–	15,600
	2008.07.04	2009.03.19-2018.05.25	0.03215	32,000	–	–	–	32,000
	2008.07.04	2009.03.21-2018.05.25	0.03215	15,000	–	–	–	15,000
	2008.07.04	2009.03.24-2018.05.25	0.03215	23,000	–	–	–	23,000
	2008.07.04	2009.03.25-2018.05.25	0.03215	20,000	–	–	–	20,000
	2008.07.04	2009.03.31-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.01-2018.05.25	0.03215	6,450	–	(6,000)	–	450
	2008.07.04	2009.04.02-2018.05.25	0.03215	6,000	–	(3,000)	–	3,000
	2008.07.04	2009.04.07-2018.05.25	0.03215	18,000	–	(11,250)	–	6,750
	2008.07.04	2009.04.09-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.14-2018.05.25	0.03215	1,650	–	–	–	1,650
	2008.07.04	2009.04.15-2018.05.25	0.03215	4,000	–	–	–	4,000
	2008.07.04	2009.04.21-2018.05.25	0.03215	1,200	–	–	–	1,200
	2008.07.04	2009.04.23-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2009.04.28-2018.05.25	0.03215	9,600	–	(3,600)	–	6,000
	2008.07.04	2009.05.04-2018.05.25	0.03215	11,000	–	–	–	11,000
	2008.07.04	2009.05.06-2018.05.25	0.03215	3,000	–	(3,000)	–	–
	2008.07.04	2009.05.12-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.05.19-2018.05.25	0.03215	33,000	–	(10,312)	–	22,688
	2008.07.04	2009.05.22-2018.05.25	0.03215	3,000	–	(3,000)	–	–
	2008.07.04	2009.05.23-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.05.26-2018.05.25	0.03215	444,700	–	(39,113)	–	405,587
	2008.11.05	2009.11.05-2018.05.25	0.03215	560,000	–	(560,000)	–	–
	2008.11.18	2009.11.18-2018.05.25	0.03215	240,000	–	(240,000)	–	–
	2008.11.26	2009.11.26-2018.05.25	0.03215	400,000	–	–	–	400,000
	2009.07.31	2009.07.31-2018.05.25	0.03215	148,000	–	–	–	148,000
	2009.07.31	2010.01.04-2018.05.25	0.03215	2,500,000	–	(1,718,750)	–	781,250
	2009.07.31	2010.01.12-2018.05.25	0.03215	259,200	–	–	(113,400)	145,800
	2009.07.31	2010.02.09-2018.05.25	0.03215	1,600,000	–	–	(700,000)	900,000

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2010	Number of share options: Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2010
Other staff of Fenghuang On-line	2009.07.31	2010.02.11-2018.05.25	0.03215	32,000	–	–	–	32,000
	2009.07.31	2010.02.13-2018.05.25	0.03215	32,000	–	–	–	32,000
	2009.07.31	2010.02.16-2018.05.25	0.03215	400,000	–	(300,000)	–	100,000
	2009.07.31	2010.03.06-2018.05.25	0.03215	259,200	–	–	(113,400)	145,800
	2009.07.31	2010.03.11-2018.05.25	0.03215	32,000	–	–	–	32,000
	2009.07.31	2010.03.16-2018.05.25	0.03215	3,416,000	–	–	(1,487,500)	1,928,500
	2009.07.31	2010.03.17-2018.05.25	0.03215	32,000	–	–	–	32,000
	2009.07.31	2010.04.01-2018.05.25	0.03215	94,500	–	–	–	94,500
	2009.07.31	2010.04.07-2018.05.25	0.03215	14,000	–	–	–	14,000
	2009.07.31	2010.04.12-2018.05.25	0.03215	8,400	–	(8,400)	–	–
	2009.07.31	2010.04.27-2018.05.25	0.03215	14,000	–	–	–	14,000
	2009.07.31	2010.05.08-2018.05.25	0.03215	70,000	–	–	–	70,000
	2009.07.31	2010.05.18-2018.05.25	0.03215	402,500	–	(301,875)	–	100,625
	2009.07.31	2010.05.25-2018.05.25	0.03215	35,000	–	–	–	35,000
	2009.07.31	2010.06.22-2018.05.25	0.03215	168,000	–	–	–	168,000
	2009.07.31	2010.07.01-2018.05.25	0.03215	24,000	–	–	–	24,000
	2009.07.31	2010.07.10-2018.05.25	0.03215	165,600	–	–	–	165,600
	2009.07.31	2010.07.15-2018.05.25	0.03215	402,500	–	–	–	402,500
	2009.07.31	2010.07.25-2018.05.25	0.03215	24,000	–	–	–	24,000
	2009.07.31	2010.07.29-2018.05.25	0.03215	24,000	–	(24,000)	–	–
	2009.09.15	2010.09.15-2018.05.25	0.03215	5,769,900	–	(1,036,625)	(696,875)	4,036,400
	2010.01.08	2011.01.08-2018.05.25	0.03215	–	189,900	–	–	189,900
	2010.07.01	2008.03.05-2018.05.25	0.03215	–	175,000	–	–	175,000
	2010.07.01	2008.03.17-2018.05.25	0.03215	–	100,000	–	–	100,000
	2010.07.01	2008.06.18-2018.05.25	0.03215	–	24,800	–	(21,700)	3,100
	2010.07.01	2009.09.22-2018.05.25	0.03215	–	30,000	–	–	30,000
	2010.07.01	2010.06.22-2018.05.25	0.03215	–	10,000	–	–	10,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	–	1,879,600	–	(579,250)	1,300,350
	2010.07.01	2010.10.09-2018.05.25	0.03215	–	10,000	–	–	10,000
	2010.07.01	2011.01.18-2018.05.25	0.03215	–	240,925	–	–	240,925
	2010.07.01	2011.02.20-2018.05.25	0.03215	–	40,000	–	–	40,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	–	2,100,000	–	–	2,100,000
	2010.07.01	2011.06.07-2018.05.25	0.03215	–	150,000	–	–	150,000
	2010.07.01	2011.07.01-2018.05.25	0.03215	–	6,450,000	–	–	6,450,000
				72,332,425*	15,768,225	(4,727,045)	(41,151,800)**	42,221,805

* The opening balance for the year 2010 was adjusted from the closing balance for the year 2009 by a reduction of approximately 1,012,775 outstanding share options due to an administrative error in the records of the subsidiary for the year 2009.

** To cope with internal administrative arrangement, new shares were allotted on 12 January 2011 to the grantees who respectively exercised options 8,800,000 on 1 July, 770,000 on 16 September and 31,581,800 on 31 December during the year 2010.

Note: The options granted in excess of the individual limit were approved by the Shareholders on 20 June 2008.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Save as disclosed above, no option had been granted to the Directors, chief executive or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the PNM Share Option Scheme during the year. No participant was granted any option in excess of the individual limit as set out in the Listing Rules or under the PNM Share Option Scheme.

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 Ji Yan	(alternate director to LIU Changle and CHUI Keung)

Non-executive Directors:

SHA Yuejia	(appointed on 19 August 2010)
GAO Nianshu	
Jan KOEPPEN	
CHEUNG Chun On, Daniel	
GONG Jianzhong	
LI Yue	(resigned on 19 August 2010)
LU Xiangdong	(resigned on 23 March 2010)

Independent Non-executive Directors:

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK

Alternate Directors:

GAO Jack Qunyao	(alternate to CHEUNG Chun On, Daniel)
Ella Betsy WONG	(alternate to Jan KOEPPEN)

In accordance with Article 87(1) of the Company's articles of association, Mr. WANG Ji Yan, Dr. LO Ka Shui and Mr. Thaddeus Thomas BECZAK retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this report, the Company still considers them to be independent.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

Change of Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

LIU Changle

New appointments

Feng Huang Air Company Limited *(Director)*
Phoenix (UK) Properties Company Limited *(Director)*
Phoenix Satellite Television (Hong Kong Channel) Limited *(Director)*

CHUI Keung

New appointments

Phoenix Metropolis Communication (Beijing) Co., Ltd. *(Director)*
Feng Huang Air Company Limited *(Director)*
Phoenix (UK) Properties Company Limited *(Director)*
Phoenix Satellite Television (Hong Kong Channel) Limited *(Director)*
Phoenix New Media (Hong Kong) Company Limited *(Director)*

WANG Ji Yan

New appointments

Feng Huang Air Company Limited *(Director)*
Phoenix (UK) Properties Company Limited *(Director)*
Phoenix Satellite Television (Hong Kong Channel) Limited *(Director)*

Thaddeus Thomas BECZAK

New appointment

Singapore Exchange Limited* *(Independent Non-executive Director)*

Cessation of appointment

Arnhold Holdings Limited* *(Independent Non-executive Director)*

* The securities of these companies are listed on a securities market in Hong Kong or overseas.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

Report of Directors

Directors' Service Contracts

Each of Mr. LIU Changle and Mr. CHUI Keung, executive Directors, entered into a new service contract with the Company for a term of three years commencing from 1 July 2009.

Save as disclosed herein, 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 are subject to retirement by rotation in accordance with the Company's articles of association and the Code on Corporate Governance Practices.

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 in Securities

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated 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 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 such Directors or chief executive was taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

(1) Shares

	Number of ordinary shares held				
Name	**Personal/ other interests**	**Corporate interests**	**Total number of Shares**	**Position**	**Percentage of shareholding**
LIU Changle (Note 1)	–	1,854,000,000	1,854,000,000	Long	37.18%
LO Ka Shui (Note 2)	4,630,000	–	4,630,000	Long	0.09%

Notes:

1 As at 31 December 2010, Mr. LIU Changle was the beneficial owner of approximately 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.18% of the issued share capital of the Company.

2 As at 31 December 2010, Dr. LO Ka Shui was the beneficial owner of 500,000 Shares while 4,130,000 Shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

(2) Share options

Name of Director	**Date of grant**	**Exercise period**	**Exercise price per Share** HK$	**Underlying shares pursuant to the share options as at 31 December 2010**
LIU Changle	2000.06.14	2001.06.14 to 2010.06.13	1.08	– (Note 1)
CHUI Keung	2000.06.14	2001.06.14 to 2010.06.13	1.08	– (Note 2)
WANG Ji Yan	2000.06.14	2001.06.14 to 2010.06.13	1.08	– (Note 3)

Directors' and Chief Executives' Interests in Securities (Continued)

(2) Share options (Continued)

Notes:

1. Mr. LIU Changle exercised all his outstanding options prior to the expiry date of the exercise period on 13 June 2010.

2. Mr. CHUI Keung exercised all his outstanding options prior to the expiry date of the exercise period on 13 June 2010.

3. Mr. WANG Ji Yan exercised all his outstanding options prior to the expiry date of the exercise period on 13 June 2010.

Save as disclosed above, so far as the Directors are aware, as at 31 December 2010, none of the Directors and chief executives of the Company had any interest or short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the 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 and 19 June 2009, the Committee and the New Share Option Scheme 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. However, the share option schemes approved by the Shareholders on 7 June 2000 have no remaining life and no further options can be granted under the schemes.

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 2010, so far as is known to the Directors and the chief executive of the Company, 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:

(1) 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	37.18%
Extra Step Investments Limited (Note 2)	983,000,000	19.71%
Xing Kong Chuan Mei Group Co., Ltd. (Note 3)	871,000,000	17.47%

Notes:

1. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to approximately 93.30% and 6.70% 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 ("CMCC"). By virtue of the SFO, CMCC and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 shares held by Extra Step Investments Limited. Mr. GAO Nianshu and Mr. SHA Yuejia, both non-executive Directors, are respectively general manager of data services department of CMCC and executive director and vice president of China Mobile Limited. Dr. LO Ka Shui, an independent non-executive Director, is an independent non-executive director of China Mobile Limited.

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

   By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Group Limited are all deemed to be interested in the 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

(2) 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	412,000,000	8.26%

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 Huijin Investment Limited. By virtue of the SFO, Central Huijin Investment 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.

Mr. GONG Jianzhong, non-executive Director, is a director and chief executive officer of Bank of China Group Investment Limited and a director of a number of companies controlled by Bank of China Group Investment Limited or in which Bank of China Group Investment Limited has an interest.

Save as disclosed above, there was no person (other than the Directors or the chief executive of the Company) known to the Directors or the chief executive of the Company, who, as at 31 December 2010, had an interest or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

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 2010	Year 2009
Programme purchases		
– the largest supplier	**13%**	18%
– five largest suppliers	**53%**	48%
Sales		
– the largest advertising end-customer	**3%**	3%
– five largest advertising end-customers	**10%**	11%

The largest advertising end-customer during the current year ended 31 December 2010 is represented by CMCC and its associates (collectively, the "CMCC Group"). Details of the transactions between the Group and the CMCC Group are set out in Note 41 to the consolidated financial statements. CMCC through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.71% of the issued share capital of the Company.

The film license fees paid/payable to STAR TV Filmed Entertainment Limited ("STAR Filmed") are 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 41 to the consolidated 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, the chief executive, or 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.

Report of Directors

Connected Transactions

Certain related party transactions entered by the Group during the year ended 31 December 2010, which also constitute connected transactions under the Listing Rules, are disclosed in Note 41 to the consolidated financial statements.

1. The connected transactions under the agreement dated 30 June 2006 (the "2006 Agreement") with Satellite Television Asian Region Limited ("STARL") had been approved by resolutions of independent shareholders of the Company passed on 18 August 2006.

   Upon expiry of the 2006 Agreement on 30 June 2009, Phoenix Satellite Television Company Limited ("Phoenix HK") entered into a new agreement on 2 July 2009 (the "New Star Services Agreement") with STARL for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 which was announced on 3 July 2009.

   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 (a) technical and administrative services under the New Star Services Agreement until 30 June 2012 and (b) technical and support services thereafter respectively 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 2010, the service charges paid/payable to STARL amounted to approximately HK$19,872,000 (2009: HK$31,733,000), 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$23,000,000 for the period from 1 January 2010 to 31 December 2010.

   (ii) STARL acts as a non-exclusive agent to promote international subscription sales and marketing services for the Group. For the year ended 31 December 2010, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$4,478,000 (2009: HK$4,214,000), which was calculated based on 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL. Such amount did not exceed the annual cap of HK$4,500,000 for the period from 1 January 2010 to 31 December 2010.

   (iii) STARL provides purchase of decoders and viewing cards service to Phoenix HK. For the year ended 31 December 2009 and 2010, there were no payment for purchase of decoders and viewing cards. Such amount did not exceed the annual cap of HK$1,000,000 for the period from 1 January 2010 to 31 December 2010.

2. On 12 January 2009, Phoenix HK entered into an agreement with Fox News International, Inc ("Fox") for the provision of a license to use the Edge (Fox's services, access to the Edge Intranet website and feeds) from 1 January 2009 to 31 December 2011. As Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd, a substantial shareholder of the Company, it is a connected person of the Company and the above transaction is a connected transaction. The transaction itself is a de minimis transaction exempt from the requirements as set in Rule 14A.25 of the Listing Rules.

   For the year ended 31 December 2010, the license fees paid/payable to Fox amounted to approximately HK$532,000 (2009: HK$666,000).

Connected Transactions (Continued)

3. On 19 November 2009, the Company announced that Phoenix HK, through its PRC advertising agent, Shenzhou Television Company Limiited ("Shenzhou") entered into an advertising contract (the "2010 Contract") with CNHK Media Limited ("CNHK Media") the PRC advertising agent of CMCC on 19 November 2009, relating to the purchase of advertising airtime at and/or sponsoring programmes being broadcasted on the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2010 to 31 December 2010 for the sum not exceeding RMB40,000,000 (approximately HK$45,600,000) for promoting CMCC Group. This continuing connected transaction had been approved by the independent shareholders in the general meeting on 23 December 2009.

   For the year ended 31 December 2010, the advertising sales to CMCC Group amounted to approximately HK$42,387,000 (2009: HK$40,803,000), which were charged in accordance with the advertising contracts with CNHK Media.

4. On 12 May 2010, Phoenix HK entered into the 2010 First Agreement with Fortune Star Entertainment (HK) Limited ("Fortune Star") for a license fee of US$195,000 (approximately HK$1,512,030) to broadcast 26 films on the Phoenix Movies Channel for the period from 1 June 2010 to 31 May 2014. As Fortune Star is an associate of a substantial shareholder of the Company – Xing Kong Chuan Mei Group Co., Ltd., it is a connected person of the Company and the above transaction is a connected transaction. The transaction by itself is a de minimis transaction exempt from the reporting, announcement and independent shareholders' approval. However when it was aggregated with the consideration of an agreement transacted on 15 May 2009 between Phoenix HK and Twentieth Century Fox International Television Inc. ("Fox International"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company, pursuant to Rule 14A.25 of the Listing Rules it was subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

5. On 19 November 2010, Phoenix HK entered into the 2010 Second Agreement with Fortune Star for a license fee of US$8,000 (approximately HK$62,002) to broadcast 2 films on the Phoenix Chinese Channel for the period from 22 November 2010 to 21 November 2012. As Fortune Star is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company, it is a connected person of the Company and the above transaction is a connected transaction. The transaction by itself is a de minimis transaction exempt from the reporting, announcement and independent shareholders' approval. However, when it was aggregated with the 2010 First Agreement made within 12 months of the 2010 Second Agreement, pursuant to Rule 14A.25 of the Listing Rules it was subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

   For the year ended 31 December 2010, the license fees paid/payable to Fortune Star amounted to approximately HK$1,517,000 (2009: Nil).

6. On 29 December 2010, Phoenix HK entered into the 2010 NGC Agreement with NGC Network Asia, LLC ("NGC") for a license fee of not exceeding US$150,800 (approximately HK$1,168,368) to broadcast 52 blocks of contents from the National Geographic Channel on the Phoenix Chinese Channel for the period from 1 January 2011 to 31 December 2011. As NGC is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company, it is a connected person of the Company and the above transaction constitutes a connected transaction. The above transaction by itself is a de minimis transaction exempt from the reporting, announcement and independent shareholders' approval. However when it was aggregated with the 2010 First Agreement and the 2010 Second Agreement made within 12 months of the 2010 NCG Agreement, pursuant to Rule 14A.25 of the Listing Rules it was subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

Connected Transactions (Continued)

7. On 31 December 2010, Phoenix HK, through its PRC advertising agent, Shenzhou entered into an advertising contract (the "2011 Contract") with CNHK Media, the PRC advertising agent of CMCC on 31 December 2010, relating to the purchase of advertising airtime and/or sponsoring programmes being broadcasted on the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2011 to 31 December 2011 for the sum not exceeding RMB40,000,000 (approximately HK$46,684,000) for promoting the CMCC Group. CMCC being the ultimate holding of China Mobile (Hong Kong) Group Limited, a substantial shareholder of the Company, is a connected person of the Company and the transaction under the 2011 Contract constitutes a continuing connected transaction for the Company. Pursuant to Rule 14A.25 of the Listing Rules it was subject to the reporting and announcement requirements and was exempted from the independent shareholders' approval.

8. Website portal, value-added telecommunications, promotional and ancillary services ("New Media CCT") by and to CMCC Group.

   China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, a substantial shareholder of the Company holding approximately 19.71% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. CMCC Group are connected persons of the Company.

   The Group carries on new media business (provision of website portal, value-added telecommunications, promotional and ancillary services) through its indirectly-owned subsidiary, Phoenix New Media Limited ("PNM", and together with its subsidiaries, the "PNM Group"). On 31 December 2009, PNM acquired 100% of the economic interests of two PRC domestic enterprises, namely Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying") and Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Yifeng"). Prior to 31 December 2009, Tianying and Yifeng had entered into a number of continuing transactions with the CMCC Group in the ordinary and usual course of business, these transactions became continuing connected transactions of the Group falling under Rule 14A.41 of the Listing Rules upon Tianying and Yifeng being treated as indirect subsidiaries of the Company for accounting purposes. Several New Media CCT were entered into between the PNM Group and the CMCC Group since 1 January 2010 which constitute non-exempt continuing connected transactions when aggregated on an annual basis with the other New Media CCT. Details of these transactions were disclosed in the announcements of the Company made on 31 December 2009 and 25 October 2010 respectively.

Connected Transactions (Continued)

The description and pricing basis of New Media CCT can be summarised as follows:

Description of transaction	Pricing basis
(a) rental of IDC (Internet Data Center) facilities from the CMCC Group	for a fixed fee determined by reference to the market price or industry standards with a discount negotiated on an arm's length basis
(b) fee calculation and collection services provided by the CMCC Group in respect of value-added telecommunications contents the PNM Group makes available on the CMCC Group's platforms	(i) for payment via mobile service, the CMCC Group is entitled to 0.3% and 5% respectively of the amounts paid in cash and by mobile fee recharge card by subscribers via such service (ii) for short messaging, WAP, IVR, multi media messaging, music and JAVA contents, the CMCC Group is entitled to 15% to 65% of the data service fees collected from subscribers, determined by reference to industry standards; for short messaging and multi media messaging contents, the CMCC Group also charges the PNM Group an "information flow imbalance" fee based on the difference between the number of short or multi media messages the PNM Group sends to subscribers and the number of short or multi media messages subscribers send to the PNM Group
(c) (i) purchase of value-added telecommunications contents based on programs available on Group's channels, seminars and other promotional activities conducted by Group's presenters	(i) for a fixed fee or on a profit-sharing basis determined by reference to industry standards negotiated on an arm's length basis taking into account the substantial subscriber base of the CMCC Group on the one hand, and the unique contents provided by the PNM Group on the other hand
(ii) ad hoc promotional activities jointly undertaken with or sub-contracted by the CMCC Group	(ii) on a cost plus reasonable profit margin basis

At the extraordinary general meeting of the Company held on 9 December 2010, the independent shareholders of the Company approved an annual cap for the New Media CCT for the year ended 31 December 2010 at RMB153,000,000 (HK$175,950,000) (the "2010 Annual Cap"). The aggregate service charges received/receivable by the PNM Group from CMCC Group, and the aggregate service charges paid/payable by the PNM Group to the CMCC Group for the year ended 31 December 2010 amounted to approximately RMB116,366,000 (HK$133,438,000) and RMB29,670,000 (HK$34,024,000) respectively.

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

1. the transactions have been entered into by the relevant member of the Group in the ordinary and usual course of its business; and

2. 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 no 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

3. 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.

Report of Directors

Competing Business

Star Group Limited and its subsidiaries ("STAR") engage in the development, production and broadcasting of television programming in Asia with India as the key market. STAR's programming is distributed primarily via satellite to local cable and direct-to-home operation channels including Channel V Taiwan, Star Chinese Movies, Star Chinese Channel. Mr. Jan KOEPPEN and Mr. CHEUNG Chun On, Daniel, both non-executive Directors, and their alternate Directors, Ms. Ella Betsy WONG and Dr. GAO Jack Qunyao, are employees of News Corporation and its affiliates. Other than the Chinese-language channels offered by STAR above, News Corporation and its subsidiaries do not offer any other similar Chinese-language channels.

Save as disclosed above, as at the latest practicable date, none of the Directors, or their respective associates (as defined under the Listing Rules) had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group during the year. Since the channels operated by STAR differ in nature form and do not directly compete with the channels operated by the Company, the Company is capable of carrying on its business independently.

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 under rules 14.07(1) of the Listing Rules, are set out in Note 24 to the consolidated financial statements.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 33 to 38 of the annual report.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has, during the year and up to the date of his report, maintained a public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2010 and provided advice and comments thereon.

Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who will retire, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 8 March 2011

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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") and its subsidiaries (together, the "Group") set out on pages 71 to 145, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 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 April 2011

Consolidated Income Statement

For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000 (Note 42)
Revenue	5	**2,598,314**	1,519,648
Operating expenses	7	**(1,560,113)**	(992,155)
Selling, general and administrative expenses	7	**(315,245)**	(202,383)
Other (expenses)/income			
Interest (expenses)/income, net	6	**(34,170)**	1,362
Other (losses)/gains, net			
– fair value loss on preference share liability – derivative component	37(b)	**(169,087)**	–
– others	5	**35,011**	53,005
Share of (loss)/profit of jointly controlled entities	18	**(1,794)**	71
Share of loss of an associate	19	**(2)**	(826)
Profit before income tax		**552,914**	378,722
Income tax expense	9	**(108,490)**	(76,735)
Profit for the year		**444,424**	301,987
Attributable to:			
Owners of the Company		**421,822**	299,746
Non-controlling interests		**22,602**	2,241
		444,424	301,987
Earnings per share for profit attributable to owners of the Company during the year			
Basic earnings per share, Hong Kong dollars	10	**0.08**	0.06
Diluted earnings per share, Hong Kong dollars	10	**0.08**	0.06
Dividends	11	**164,572**	99,403

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	2010 $'000	2009 $'000
Profit for the year	**444,424**	301,987
Other comprehensive income		
Currency translation differences	**19,500**	788
Total comprehensive income for the year	**463,924**	302,775
Total comprehensive income attributable to:		
Owners of the Company	**441,322**	300,534
Non-controlling interests	**22,602**	2,241
	463,924	302,775

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	13	**26,631**	23,099
Lease premium for land	14	**239,300**	220,236
Property, plant and equipment, net	15	**904,342**	760,243
Investment property under construction	16	**371,138**	217,657
Intangible assets	17	**18,473**	21,169
Investments in jointly controlled entities	18	**10,846**	6,922
Investment in an associate	19	**4,736**	4,738
Available-for-sale financial assets		**962**	962
Other long-term assets	24	**30,672**	23,810
Deferred income tax assets	38	**13,225**	13,432
		1,620,325	1,292,268
Current assets			
Accounts receivable, net	23	**211,416**	86,497
Prepayments, deposits and other receivables	24	**471,555**	452,360
Inventories	25	**6,658**	3,994
Amounts due from related companies	26	**29,705**	27,495
Self-produced programmes		**8,253**	2,254
Purchased programme and film rights, net	13	**4,069**	4,134
Financial assets at fair value through profit or loss	27	**24,330**	53,824
Prepaid profit tax		**–**	5,648
Bank deposits	28	**113,280**	117,616
Restricted cash	29	**23,790**	21,607
Cash and cash equivalents	30	**1,312,502**	649,245
		2,205,558	1,424,674
Total assets		**3,825,883**	2,716,942

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**498,703**	497,014
Reserves			
– Proposed final dividend	11	**164,572**	99,403
– Others		**1,543,803**	1,234,875
		2,207,078	1,831,292
Non-controlling interests		**250,213**	227,611
Total equity		**2,457,291**	2,058,903
LIABILITIES			
Non-current liabilities			
Borrowings	37	**653,106**	242,826
Investment deposits	36	**52,520**	–
Deferred income tax liabilities	38	**47,699**	46,874
		753,325	289,700
Current liabilities			
Accounts payable, other payables and accruals	35	**410,570**	243,512
Deferred income		**141,789**	113,426
Amounts due to related companies	26	**11,372**	11,401
Current income tax liabilities		**51,536**	–
		615,267	368,339
Total liabilities		**1,368,592**	658,039
Total equity and liabilities		**3,825,883**	2,716,942
Net current assets		**1,590,291**	1,056,335
Total assets less current liabilities		**3,210,616**	2,348,603

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 71 to 145 were approved by the Board of Directors on 8 March 2011 and signed on behalf of the Board by

LIU Changle
Director

CHUI Keung
Director

Balance Sheet

As at 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
ASSETS			
Non-current asset			
Interests in subsidiaries	20	**865,451**	948,271
Current asset			
Cash and cash equivalents	30	**4,883**	5,149
Total assets		**870,334**	953,420
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	32	**498,703**	497,014
Reserves			
– proposed final dividends	11	**164,572**	99,403
– others		**206,774**	356,803
Total equity		**870,049**	953,220
LIABILITIES			
Current liabilities			
Other payables and accruals	35	**285**	200
Total liabilities		**285**	200
Total equity and liabilities		**870,334**	953,420
Net current assets		**4,598**	4,949
Total assets less current liabilities		**870,049**	953,220

The notes on pages 79 to 145 are an integral part of these financial statements.

The financial statements on pages 71 to 145 were approved by the Board of Directors on 8 March 2011 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 2010
(Amounts expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note)	Exchange reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company							
Balance at 1 January 2009		495,441	579,844	5,361	22,716	10,151	492,102	223,826	1,829,441
Comprehensive income									
Profit for the year		–	–	–	–	–	299,746	2,241	301,987
Other comprehensive income									
Currency translation differences		–	–	–	788	–	–	–	788
Total comprehensive income		–	–	–	788	–	299,746	2,241	302,775
Transactions with owners									
Share option scheme	32, 33, 34								
– value of employee services		–	–	–	–	1,986	–	–	1,986
– recognition of shares issued on exercise of options		1,573	16,465	–	–	(552)	–	–	17,486
Dividends related to 2008		–	(94,134)	–	–	–	–	–	(94,134)
Exercise of share options of a subsidiary		–	–	–	–	(195)	–	694	499
Contributions from non-controlling interests		–	–	–	–	–	–	850	850
Allocation to statutory reserve		–	–	2,115	–	–	(2,115)	–	–
Total transactions with owners		1,573	(77,669)	2,115	–	1,239	(2,115)	1,544	(73,313)
Balance at 31 December 2009		497,014	502,175	7,476	23,504	11,390	789,733	227,611	2,058,903

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

		Attributable to owners of the Company							
	Note	**Share capital** $'000	**Share premium** $'000	**Statutory reserve** $'000 (Note)	**Exchange reserve** $'000	**Employee share-based payment reserve** $'000	**Retained earnings** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Balance at 1 January 2010		**497,014**	**502,175**	**7,476**	**23,504**	**11,390**	**789,733**	**227,611**	**2,058,903**
Comprehensive income									
Profit for the year		–	–	–	–	–	**421,822**	**22,602**	**444,424**
Other comprehensive income									
Currency translation differences		–	–	–	**19,500**	–	–	–	**19,500**
Total comprehensive income		–	–	–	**19,500**	–	**421,822**	**22,602**	**463,924**
Transactions with owners									
Share option scheme	32, 33, 34								
– value of employee services		–	–	–	–	**15,437**	–	–	**15,437**
– recognition of shares issued on exercise of options		**1,689**	**17,596**	–	–	**(553)**	–	–	**18,732**
Dividends related to 2009	11	–	**(99,705)**	–	–	–	–	–	**(99,705)**
Allocation to statutory reserve		–	–	**2,423**	–	–	**(2,423)**	–	–
Total transactions with owners		**1,689**	**(82,109)**	**2,423**	–	**14,884**	**(2,423)**	–	**(65,536)**
Balance at 31 December 2010		**498,703**	**420,066**	**9,899**	**43,004**	**26,274**	**1,209,132**	**250,213**	**2,457,291**

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

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Net cash generated from operations	39	**937,271**	438,980
Interest received		**7,407**	5,143
Hong Kong taxation paid		**(42,996)**	(65,193)
Overseas taxation paid		**(7,782)**	(2,230)
Net cash from operating activities		**893,900**	376,700
Cash flows from investing activities			
(Increase)/decrease in prepayment for long-term assets		**(6,862)**	61,085
Purchase of software	17	**(150)**	(2,954)
Purchase of property, plant and equipment	15	**(245,677)**	(333,394)
Payment of land lease premium	14	**(53,584)**	–
Purchase of programme and film rights	13	**(29,187)**	(26,483)
Capital injection to a jointly controlled entity	18	**(5,718)**	–
Proceeds from disposal of property, plant and equipment		**29**	9
Loan from non-controlling interests		**–**	11,372
Acquisition of subsidiaries, net of cash acquired	20	**–**	(2,756)
Additions to investment property under construction	16	**(92,100)**	(24,337)
Proceeds from disposal of financial assets at fair value through profit or loss		**23,307**	–
Contribution to subsidiaries by non-controlling interests		**–**	850
Investment income from financial assets at fair value through profit or loss		**3,355**	2,100
Net cash used in investing activities		**(406,587)**	(314,508)
Cash flows from financing activities			
Proceeds from issuance of preference shares of a subsidiary		**–**	193,557
Proceeds from exercise of share options of the Company	32,34	**18,732**	17,486
Dividends paid to owners of the Company	11	**(99,705)**	(94,134)
Proceeds from exercise of share options of a subsidiary		**–**	499
Drawdown of secured bank borrowings	37	**198,407**	45,488
Investment deposits received from investors	36	**52,520**	–
Net cash generated from financing activities		**169,954**	162,896
Net increase in cash and cash equivalents		**657,267**	225,088
Cash and cash equivalents at beginning of year		**649,245**	423,283
Exchange gains on cash and cash equivalents		**5,990**	874
Cash and cash equivalents at end of year	30	**1,312,502**	649,245

The notes on pages 79 to 145 are an integral part of these consolidated financial statements.

1. General Information

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

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

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since December 2008 prior to which, it was listed on the Growth Enterprise Market of the Stock Exchange.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements of the Group have been approved for issue by the Board of Directors on 8 March 2011.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property under construction, financial assets at fair value through profit or loss and derivative component of preferred share liability.

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.

(b) Changes in accounting policies and disclosures

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group

HKICPA has issued the following new and revised standards, amendments to standards and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2010:

HKFRS 3 (revised)	"Business combinations"
HKAS 27 (revised)	"Consolidated and separate financial statements"
HKAS 39 (revised)	"Eligible hedge items"
HK-Int 5 (revised)	"Presentation of Financial Statements-classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"
HK (IFRIC)-Int 17	"Distribution of non-cash assets to owners"
HK (IFRIC)-Int 8	"Transfers of assets from customers"
Improvements to HKFRS	

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (Continued)

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group (Continued)

Amendments have been made to the following standards:

HKFRS 2	"Share-based Payment"
HKFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"
HKFRS 8	"Operating Segments"
HKAS 1	"Presentation of Financial Statements"
HKAS 7	"Cash Flow Statements"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 27	"Consolidated and Separate Financial Statements"
HKAS 36	"Impairment of Assets"
HKAS 38	"Intangible Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HK(IFRIC) – Int 9	"Reassessment of Embedded Derivatives"
HK(IFRIC) – Int 16	"Hedges of a Net Investment in a Foreign Operation"

The adoption of the above new and revised standards, amendments to standards and interpretations does not have significant impact on the Group's financial statements except for the changes in accounting policy as mentioned in Note 2(c)(iii).

(ii) New and revised standards, amendments to standards and interpretations that are not yet effective and have not been adopted by the Group

HKAS 1	"Presentation of financial statements"
HKAS 24 (Revised)	"Related party disclosures"
HKAS 27	"Consolidated and separate financial statements"
HKAS 32 (Amendment)	"Classification of rights issue"
HKAS 34	"Interim financial reporting"
HKFRS 1	"First time Adoption of International Financial Reporting Standards"
Amendment to HKFRS 1	"Limited exemption from comparative HKFRS 7 disclosures for first-time adopters"
HKFRS 3 (Revised)	"Business combinations"
HKFRS 7	"Financial instruments: Disclosures"
HKFRS 9	"Financial Instruments"
HK(IFRIC) – Int 13	"Customer loyalty programmes"
Amendment to HK(IFRIC) 14	"Prepayments of a minimum funding requirement"
HK(IFRIC) – Int 19	"Extinguishing financial liabilities with equity instruments"

The Group has not early adopted any of the above standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial positions.

2. Summary of Significant Accounting Policies (Continued)

(c) 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2(h)).

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

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of Significant Accounting Policies (Continued)

(c) Consolidation (Continued)

(iii) Associate and jointly controlled entities

The Group's investments in an associate and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in an associate and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2(k) for the impairment of non-financial assets including goodwill.

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

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

Dilution gains and losses arising in investments in an associate and jointly controlled entities are recognised in the consolidated income statement.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2. Summary of Significant Accounting Policies (Continued)

(e) 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$, which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other assets and liabilities are presented in the consolidated income statement within "other (losses)/gains, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement 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 consolidated 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 dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholder's equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Summary of Significant Accounting Policies (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies (Continued)

The functional currency of the jointly controlled entities in which the Group has invested is 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 losses of the jointly controlled entities are translated at the average exchange rates for equity accounting purposes. All resulting exchange differences are recognised in other comprehensive income.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated 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 property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2.22–3.33%
Leasehold improvements	6.67%–33.3% or over the terms of the leases
Furniture and fixtures	15%–20%
Broadcast operations and other equipment	10%–20%
Motor vehicles	20%–25%
LED monitors	10%–11.1%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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(k)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated income statement.

(g) Investment property under construction

Investment property is defined as property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property under construction, principally comprising lease premium for land and office buildings under construction, is held for long-term rental yields and will not be occupied by the Group. Land held under operating leases is accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property under construction is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties under construction are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed by a independent valuer. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains, net".

2. Summary of Significant Accounting Policies (Continued)

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of two to four years.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to four years.

(iii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of three years.

(iv) Club debentures

Acquired club debentures are intangible assets with an indefinite useful life. They are therefore shown at historical cost and are not amortised. Impairment assessments on club debentures are carried out by comparing their recoverable amounts with their carrying amounts annually and whenever there is an indication that the intangible assets maybe impaired.

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

2. Summary of Significant Accounting Policies (Continued)

(h) Intangible assets (Continued)

(v) Computer software (Continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

(i) 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 consolidated 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 12 months or less are classified as current assets.

(j) 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 consolidated 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 consolidated income statement in accordance with a formula computed to write off the cost over the broadcast period.

(k) Impairment of investments in subsidiaries, an associate, jointly controlled entities and non-financial assets

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

Impairment testing of the investments in subsidiaries, associate or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial assets

(i) Classification

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.

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

Financial assets at fair value through profit or loss are 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

(b) 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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise bank deposits accounts receivable, deposits and other receivables, amounts due from related parties, restricted cash and cash and cash equivalent in the balance sheet (Notes 2(n) and 2(p)).

(c) 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 end of reporting period. Available-for-sale financial assets represented unlisted securities of private issuers outside Hong Kong.

(ii) Recognition and measurement

Regular way 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 consolidated 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 presented in the consolidated income statement within "other (losses)/gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2. Summary of Significant Accounting Policies (Continued)

(m) 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 (FIFO) 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.

(n) Accounts and other receivables

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If reduction of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) Impairment of financial assets

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's/debtors financial difficulty, granting to the borrower/debtor a concession that the Group would not otherwise consider;
- It becomes probable that the borrower/debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties of the borrower/debtor; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of such financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

(p) 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.

(q) Deferred income

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

(r) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2(u)).

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.

(s) Accounts payable, other payables and accruals

Accounts payable, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Preference shares, which are redeemable at the option of the holder after a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the consolidated income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to ordinary shares of a subsidiary at the options of the holders, and the number of ordinary shares of the subsidiary to be issued varies with changes in their conversion price made in accordance with the relevant provisions of the preference share purchase agreement.

The liability component of the convertible preference shares, which represents the host liability and compound embedded derivatives, is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts (Note 37(b)).

Subsequent to initial recognition, the host liability is measured at amortised cost using the effective interest method. The compound derivatives are measured at fair value. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

The dividends on these preference shares are recognised in the consolidated income statement as interest expense.

2. Summary of Significant Accounting Policies (Continued)

(v) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, an associate and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised 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, the deferred income tax is not accounted for if it 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. 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, associates 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Employee benefits

(i) 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 consolidated 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 consolidated income statement as incurred.

2. Summary of Significant Accounting Policies (Continued)

(w) Employee benefits (Continued)

(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 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit to the employee share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The cash paid to subscribe for the shares issued when the Company's options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs. Cash paid to subscribe for the shares of subsidiaries of the Company, net of any directly attributable transaction costs, are reflected as increases to non-controlling interests in the consolidated balance sheet. On exercise of share options granted after 7 November 2002 and not vested as of 1 January 2005, the portion of the employee share-based payment reserve attributable to such options is transferred to share premium for the Company's share options or minority interests for share options of the Company's subsidiaries.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Summary of Significant Accounting Policies (Continued)

(x) 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 in the consolidated income statement.

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, related agency commission expenses and discounts and 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 Group 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) Advertising revenue

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

(ii) Mobile, video and wireless value added services income

Mobile, video and wireless value added services income are recognised in the period in which the services is performed.

(iii) Subscription revenue

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

(iv) Magazine advertising revenue

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

(v) 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.

(vi) Technical services income

Revenue from the provision of technical services is recognised when the value-added telecommunication services are provided/delivered to customers.

2. Summary of Significant Accounting Policies (Continued)

(y) Revenue recognition (Continued)

(vii) 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.

(viii) Interest income

Interest income from bank deposits is 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.

(ix) 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.

(z) 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) including upfront payment made for lease premium for land, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value 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.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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 ("RMB") and US dollar ("US$"). 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$, RMB and US$ to the extent possible. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies 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.

At 31 December 2010, if HK$ had weakened/strengthened by 3% (2009: 2%) against the RMB, with all other variables held constant, after-tax profit for the year would have been HK$11,787,000 (2009: HK$6,673,000), lower or higher, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated accounts receivable and receivables from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou").

At 31 December 2010, certain of the assets of the Group are denominated in US$. The Group also had operations in the United States. Since HK$ is pegged to US$, foreign exchange exposure with respect to the US$ denominated assets of its operations in the United States is considered as minimal.

(b) Price risk

The Group is exposed to unlisted and listed securities price risk because certain investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. For unlisted securities, management adopts the indicative market value provided by the issuers as their best estimate of the fair values of such securities. The Group also has investment in the equity of a publicly traded entity. For further details of the price risk exposure of the Group, please refer to Note 27.

(c) PRC regulations

The Chinese market in which the Group operates exposes the Group to certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Group to provide online advertising, mobile and Internet related services through contractual arrangements in the PRC since these industries remain highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax law, the status of properties leased for our operations and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Group's ability to conduct business in the PRC. The PRC government may also require the Group to restructure its operation entirely if it finds that the Group's contractual arrangements do not comply with applicable laws and regulation. It is unclear how a restructuring could impact the Group's business and operating results, as the PRC government has not yet found any such contractual arrangements to be in noncompliance. However, any such restructuring may cause significant disruption to the Group's business operations.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The Group's credit risk arises from cash and cash equivalents, loans and receivables, 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$313,626,000 representing approximately 8% of the total assets of the Group as of 31 December 2010. 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.

The Group has put in place policies to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

Most of the payment terms for advertising revenue will be agreed between the Group and the customers at the beginning of the year. Customers will make payments in accordance with the contract terms. The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

(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 Notes 30 and 31 respectively.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	**Between 1 and 2 years** $'000	**Between 2 and 5 years** $'000
Group			
At 31 December 2010			
Accounts payable and other payables	**401,393**	**–**	**–**
Amounts due to related companies	**11,372**	**–**	**–**
Secured bank borrowings	**–**	**245,091**	**–**
Preferred shares liability – host debt	**–**	**–**	**409,243**
Preferred shares liability – derivative component	**–**	**–**	**192,974**
At 31 December 2009			
Accounts payable and other payables	240,174	–	–
Amounts due to related companies	11,401	–	–
Secured bank borrowings	–	–	45,488
Preferred shares liability – host debt	–	–	408,953
Preferred shares liability – derivative component	–	–	23,934

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Cash flow and fair value interest rate risk

As the Group has interest-bearing assets comprising cash and cash equivalents, bank deposits, restricted cash and amount due from Shenzhou (see Note 24) 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 31 December 2010, 38% of bank deposits, restricted cash and cash and cash equivalents bore interest at fixed rates.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(c) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, bank deposits, accounts receivable, deposits and other receivables, available-for-sale financial assets, amounts due from/to related companies, accounts payable, other payables and accruals, approximate their fair value due to their short maturities.

The fair value of financial assets at fair value through profit or loss that is not openly traded is determined with reference to indicative market values provided by issuers (Note 27). 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.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

3. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss			
– trading equity securities	**24,330**	**–**	**24,330**
Liabilities			
Financial liabilities at fair value through profit or loss			
– derivative component of preferred share liability	**–**	**192,974**	**192,974**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss			
– trading equity securities	27,291	–	27,291
– other securities	26,533	–	26,533
	53,824	–	53,824
Liabilities			
Financial liabilities at fair value through profit or loss			
– derivative component of preferred share liability	–	23,934	23,934

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2010, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC") of approximately HK$24,330,000 (2009: shares of HSBC of approximately HK$27,291,000 and an investment in a 100% principal protected commodity index participation note of approximately HK$26,533,000) (Note 27).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instrument included in level 2 comprises financial liability at fair value through profit or loss of approximately HK$192,974,000 (Note 37).

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classification.

4. Critical Accounting Estimates and Judgments

(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 and the receivable from an advertising agent, Shenzhou. In making such judgment, management considers a wide range of factors, including customers' and Shenzhou's payment trends, subsequent payments and customers' and Shenzhou's financial positions.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. 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 audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. For the Group's tax exposure in the PRC, please refer to Note 9.

(iii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and function. It could change significantly as a result of changes in the Group's operations including any future relocation or renovation of the Group's facilities. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

(iv) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for derivative instruments that are not traded in active markets.

(v) Fair value of investment property under construction

The fair value of investment property under construction is determined using the information from the valuations performed by external professional valuers using the residual method of valuation. The residual method of valuation essentially involves the gross development value assessment of the hypothetical development to be erected on the investment property based on the latest development scheme. The estimated development costs for the hypothetical development including construction costs and professional fees together with allowances on interest payments and developer's profits are deducted from the established gross development value thereof. The resultant figure is then adjusted back to present value as at the valuation date to reflect the existing state of the investment property. The residual site value is then cross-checked with the actual sales or offerings of comparable properties by direct comparison method of valuation whereby comparable properties with similar character, location, sizes and so on are analysed and weighted against all respective advantages and disadvantages of the investment property in order to arrive at a fair comparison of value. Had the Group used different development costs and other assumptions, the fair value of the investment property would be different and thus, would impact the consolidated income statement.

4. Critical Accounting Estimates and Judgments (Continued)

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

Fair value of financial assets and liabilities at fair value through profit or loss

The fair value of financial asset and liabilities at fair value through profit or loss that is 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 the financial assets at fair value through profit or loss (Note 27). 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 issuers of these financial instruments rather than selecting another valuation method. The Group considered that the indicative market values provided by the issuers of these financial instruments were prepared based on financial valuation models 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 and other income by nature is as follows:

	2010 **$'000**	2009 $'000
Revenue		
Advertising sales		
Television broadcasting	**1,602,191**	1,254,526
Internet	**268,727**	–
Outdoor media	**268,210**	72,066
Mobile, video and wireless value added services income	**324,653**	–
Subscription sales	**76,234**	65,232
Magazine advertising and subscription or circulation sales	**47,043**	42,427
Technical services income	**–**	70,438
Others	**11,256**	14,959
	2,598,314	1,519,648
Other (losses)/gains, net		
Overprovision of reinstatement cost	**–**	1,872
Exchange gain/(loss), net	**7,753**	(357)
Investment income	**3,355**	2,100
Fair value (loss)/gain on financial assets at fair value through profit or loss (realised and unrealised)	**(6,187)**	3,302
Gain on revaluation of investment property under construction	**21,979**	37,176
Gain on acquisition of a subsidiary	**–**	2,371
Service charges received from a related party	**978**	1,233
Others, net	**7,133**	5,308
	35,011	53,005
	2,633,325	1,572,653

5. Revenue and Segment Information (Continued)

Management has determined the operating segments based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective.

The Group has four main reportable segments including:

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

(a) Primary channels, including Phoenix Chinese Channel and Phoenix InfoNews Channel

(b) Others, including Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News Entertainment Channels and others.

(ii) New media – provision of website portal and value-added telecommunication services;

(iii) Outdoor media – provision of outdoor advertising services; and

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

	Year ended 31 December 2010							
	Television broadcasting							
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue								
External sales	1,539,246	139,937	1,679,183	593,380	268,210	57,541	–	2,598,314
Inter-segment sales	209	4,805	5,014	14,366	210	37,054	(56,644)	–
Total revenue	1,539,455	144,742	1,684,197	607,746	268,420	94,595	(56,644)	2,598,314
Segment results	808,026	29,755	837,781	(125,776)	55,585	20,536	–	788,126
Unallocated income (Note a)								12,103
Unallocated expenses (Note b)								(245,519)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								554,710
Share of loss of jointly controlled entities								(1,794)
Share of loss of an associate								(2)
Income tax expense								(108,490)
Profit for the year								444,424
Non-controlling interests								(22,602)
Profit attributable to owners of the Company								421,822
Depreciation	(58,500)	(1,165)	(59,665)	(8,800)	(17,634)	(1,316)	–	(87,415)
Unallocated depreciation								(22,029)
								(109,444)

5. Revenue and Segment Information (Continued)

	Year ended 31 December 2009							
	Television broadcasting							
	Primary channels $'000 (Note 42)	Others $'000 (Note 42)	Sub-total $'000	New media $'000	Outdoor media $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue								
External sales	1,212,321	108,711	1,321,032	70,438	72,066	56,112	–	1,519,648
Inter-segment sales	–	299	299	–	–	27,971	(28,270)	–
Total revenue	1,212,321	109,010	1,321,331	70,438	72,066	84,083	(28,270)	1,519,648
Segment results	539,684	(10,446)	529,238	21,317	(34,451)	38,987	–	555,091
Unallocated income (Note a)								12,672
Unallocated expenses (Note b)								(188,286)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								379,477
Share of profit of jointly controlled entities								71
Share of loss of an associate								(826)
Income tax expense								(76,735)
Profit for the year								301,987
Non-controlling interests								(2,241)
Profit attributable to owners of the Company								299,746
Depreciation	(43,702)	(1,665)	(45,367)	(5,375)	(7,917)	(987)	–	(59,646)
Unallocated depreciation								(15,515)
								(75,161)

Note:

(a) Unallocated income represents exchange gain/loss, interest income, fair value gain/loss on financial assets and liabilities (realised and unrealised) and investment income.

(b) Unallocated expenses represent primarily:

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

5. Revenue and Segment Information (Continued)

The Company is domiciled in Hong Kong. The geographical distribution of its revenue from external customers and total assets by geographical location are as follows:

	Year ended 31 December 2010	
	Revenue	**Total assets**
	$'000	**$'000**
The People's Republic of China	**2,466,065**	**1,776,809**
Hong Kong	**37,106**	**1,997,343**
Others	**95,143**	**51,731**
	2,598,314	**3,825,883**

	Year ended 31 December 2009	
	Revenue	Total assets
	$'000	$'000
The People's Republic of China	1,385,711	1,118,473
Hong Kong	33,401	1,552,136
Others	100,536	46,333
	1,519,648	2,716,942

6. Interest (Expenses)/Income, Net

	2010	2009
	$'000	$'000
Interest expenses		
– secured bank borrowings	**(10,165)**	(1,002)
– preferred shares liability (Note 37(b))	**(41,577)**	(3,781)
	(51,742)	(4,783)
Less: amounts capitalised on qualifying assets	**10,165**	1,002
Total interest expenses	**(41,577)**	(3,781)
Interest income on bank deposits	**7,407**	5,143
Interest (expenses)/income, net	**(34,170)**	1,362

7. Profit Before Income Tax

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

	2010 $'000	2009 $'000
Crediting		
Reversal of previously written-off accounts receivable	–	441
Reversal of provision for impairment of accounts receivable	1,155	4,574
Reversal of previously written off prepayments, deposits and other receivables	–	794
Reversal of provision of internet service fee	–	3,671
Charging		
Amortisation of purchased programme and film rights	23,150	29,546
Production costs of self-produced programmes	134,531	128,303
Commission expenses	296,229	245,945
Transponder rental	25,405	26,753
Provision for impairment of accounts receivable	686	2,899
Employee benefit expenses (including Directors' emoluments) (Note 8)	553,965	376,440
Operating lease rental in respect of		
– directors' quarters	1,445	1,430
– land and buildings of third parties	27,000	19,889
Loss on disposal of property, plant and equipment	658	206
Depreciation	109,444	75,161
Amortisation of lease premium for land	2,744	2,494
Amortisation of intangible assets	1,912	–
Auditor's remuneration	3,244	3,040
Services charges paid to related parties (Note 41(i)(b)&(h))	20,404	32,399

8. Employee Benefit Expenses (Including Directors' Emoluments)

	2010 $'000	2009 $'000
Wages, salaries and other allowances	537,180	360,659
Unutilised annual leave	833	660
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	15,952	15,121
	553,965	376,440

(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.

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(a) Pensions – defined contribution plans (Continued)

(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 2010, the aggregate amount of the employer's contributions was approximately HK$13,981,000 (2009: HK$13,538,000) and the total amount of forfeited contributions was approximately HK$980,000 (2009: HK$1,041,000).

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 contributions 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 2010, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,738,000 (2009: HK$1,710,000) and total amount of forfeited contributions was approximately HK$31,000 (2009: Nil).

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Housing allowance $'000	Pension costs $'000	Total $'000
1.	LIU Changle	–	**5,528**	**2,600**	**1,117**	**510**	**9,755**
2.	CHUI Keung	–	**2,261**	**1,500**	**1,117**	**208**	**5,086**
3.	WANG Ji Yan	–	**1,972**	**1,200**	**976**	**182**	**4,330**
4.	LU Xiangdong (resigned on 23 March 2010)	–	–	–	–	–	–
5.	LI Yue (appointed on 23 March 2010, resigned on 19 August 2010)	–	–	–	–	–	–
6.	SHA Yuejia (appointed on 19 August 2010)	–	–	–	–	–	–
7.	Ella Betsy WONG	–	–	–	–	–	–
8.	LO Ka Shui	**250**	–	–	–	–	**250**
9.	GAO Nianshu	–	–	–	–	–	–
10.	GONG Jianzhong	–	–	–	–	–	–
11.	Jan KOEPPEN	–	–	–	–	–	–
12.	LEUNG Hok Lim	**250**	–	–	–	–	**250**
13.	Thaddeus Thomas BECZAK	**250**	–	–	–	–	**250**
14.	CHEUNG Chun On, Daniel	–	–	–	–	–	–
15.	GAO Jack Qunyao	–	–	–	–	–	–

The remuneration of every Director for the year ended 31 December 2009 is set out below:

	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Housing allowance $'000	Pension costs $'000	Total $'000
1.	LIU Changle	–	5,367	1,650	1,110	495	8,622
2.	CHUI Keung	–	2,195	1,100	1,085	203	4,583
3.	WANG Ji Yan	–	1,915	900	947	177	3,939
4.	LAU Yu Leung, John (resigned on 30 November 2009)	–	–	–	–	–	–
5.	LO Ka Shui	200	–	–	–	–	200
6.	GONG Jianzhong	–	–	–	–	–	–
7.	LEUNG Hok Lim	200	–	–	–	–	200
8.	Thaddeus Thomas BECZAK	200	–	–	–	–	200
9.	LU Xiangdong	–	–	–	–	–	–
10.	GAO Nianshu	–	–	–	–	–	–
11.	Paul Francis AIELLO (resigned on 12 October 2009)	–	–	–	–	–	–
12.	GAO Jack Qunyao	–	–	–	–	–	–
13.	Jan KOEPPEN (appointed on 30 November 2009)	–	–	–	–	–	–
14.	CHEUNG Chun On, Daniel (appointed on 12 October 2009)	–	–	–	–	–	–
15.	Ella Betsy WONG (appointed on 30 November 2009)	–	–	–	–	–	–

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 include three (2009: three) executive Directors whose emoluments are reflected in the analysis presented in Note (b) above. The emoluments paid/payable to the remaining two (2009: two) individuals during the year are as follows:

	2010	2009
	$'000	$'000
Salaries	**3,518**	3,319
Discretionary bonus	**3,150**	1,950
Housing allowance	**1,740**	1,642
Pension costs	**325**	306
	8,733	7,217

As of 31 December 2010, Mr. LIU Changle (2009: 5,320,000), Mr. CHUI Keung (2009: 2,508,000) and Mr. WANG Ji Yan (2009: 3,990,000) had no outstanding share options to purchase shares of the Company. All outstanding options held by the three executive Directors were exercised during 2010 and the fair values of these options have not been included in the directors' emoluments disclosed above.

The emoluments of the remaining two (2009: two) individuals fell within the following bands:

	Number of individuals	
Emolument band	**2010**	2009
HK$3,000,001–HK$3,500,000	**–**	1
HK$3,500,001–HK$4,000,000	**–**	1
HK$4,000,001–HK$4,500,000	**1**	–
HK$4.500,001–HK$5,000,000	**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 (2009: Nil).

9. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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.

	2010	2009
	$'000	$'000
Current income tax		
– Hong Kong profits tax	**104,853**	48,133
– Overseas taxation	**7,782**	2,230
– (Over)/under provision of Hong Kong profits tax in the prior year	**(4,673)**	2,975
Deferred income tax (Note 38)	**528**	23,397
	108,490	76,735

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 in the PRC (Note 24) (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:

	2010	2009
	$'000	$'000
Profit before income tax	**552,914**	378,722
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**91,231**	62,489
Income not subject to taxation	**(19,441)**	(8,277)
Expenses not deductible for taxation purposes	**43,617**	5,813
Tax losses not recognised	**4,775**	12,771
Effect of tax holiday granted to PRC subsidiaries	**(4,850)**	(1,966)
Recognition of previously unrecognised deferred income tax (assets)/liabilities	**(887)**	2,164
Utilisation of previously unrecognised tax losses	**(1,836)**	–
Effect of different tax rate in other countries	**554**	766
(Over)/under provision of Hong Kong profits tax in the prior year	**(4,673)**	2,975
Income tax expense	**108,490**	76,735

10. Earnings per Share

(a) Basic

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

	2010	2009
Profit attributable to owners of the Company ($'000)	**421,822**	299,746
Weighted average number of ordinary shares in issue ('000)	**4,985,237**	4,957,409
Basic earnings per share (Hong Kong dollars)	**0.08**	0.06

(b) 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 Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary, and the conversion option of the preference shares issued by a subsidiary. A calculation is done to determine the number of the company's 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 of the Company. 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.

	2010	2009
Profit attributable to owners of the Company ($'000)	**421,822**	299,746
Adjustment for share options of the Company and a subsidiary and preference shares issued by a subsidiary ($'000)	**(31,186)**	(5,261)
Profit attributable to owners of the Company used to determine diluted earnings per share ($'000)	**390,636**	294,485
Weighted average number of ordinary shares in issue ('000)	**4,985,237**	4,957,409
Adjustment for share options of the Company ('000)	**6,580**	4,728
Weighted average number of ordinary shares for diluted earnings per share ('000)	**4,991,817**	4,962,137
Diluted earnings per share (Hong Kong dollars)	**0.08**	0.06

11. Dividends

The 2009 final dividends paid during the year ended 31 December 2010 were approximately HK$99,705,000 (2 Hong Kong cents per share). The directors recommend the payment of a final dividend of 3.3 Hong Kong cents per share, totalling approximately HK$164,572,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 June 2011. These consolidated financial statements do not reflect this dividend payable.

	2010	2009
	$'000	$'000
Proposed final dividend of 3.3 Hong Kong cents (2009: 2 Hong Kong cents) per share	**164,572**	99,403

12. Profit attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$2,632,000 (2009: HK$2,209,000).

13. Purchased Programme and Film Rights, Net

	2010	2009
	$'000	$'000
Balance, beginning of year	**27,233**	30,853
Additions	**29,187**	26,483
Amortisation	**(23,150)**	(29,546)
Others	**(2,570)**	(557)
Balance, end of year	**30,700**	27,233
Less: Purchased programme and film rights – current portion	**(4,069)**	(4,134)
	26,631	23,099

14. Lease Premium for Land

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

	2010 **$'000**	2009 $'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**36,557**	37,558
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**202,743**	182,678
	239,300	220,236

	2010 **$'000**	2009 $'000
Balance, beginning of year	**220,236**	367,530
Currency translation differences	**3,010**	759
Additions (Note a)	**53,584**	–
Transferred to investment property under construction (Note a and Note 16)	**(32,238)**	(143,087)
Amortisation (Note b)	**(5,292)**	(4,966)
Balance, end of year (Note c)	**239,300**	220,236

(a) On 9 April 2008, Phoenix Pictures Limited ("Phoenix Pictures"), an indirectly wholly owned subsidiary of the Company, acquired Phoenix Oriental (Beijing) Properties Company Limited 鳳凰東方(北京)置業有限公司 ("Phoenix Oriental"), which holds the land use rights for a piece of land in Chaoyang Park. The land use rights held by Phoenix Oriental has been consolidated into the financial statements of the Group since then.

The land at the south western corner of Chaoyang Park in Beijing was valued by independent appraisers as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land as at acquisition date was RMB209,273,000 (equivalent to approximately HK$237,625,000). Subsequent to the acquisition of Phoenix Oriental, an amount of RMB3,398,100 (equivalent to approximately HK$3,885,000) was paid for the title registration for the land use right which has been capitalised as part of the cost of the land use right.

14. Lease Premium for Land (Continued)

(a) (Continued)

The land and project transfer contract for the land was entered into by Phoenix Oriental in or around May 2006, before it became an indirectly owned subsidiary of the Company. So far as the Directors are aware, the terms of the land and project transfer contract were agreed at after arm's length negotiations between Phoenix Oriental and 北京朝陽公園開發經營公司 (Beijing Chaoyang Park Development and Management Co.) based on applicable rates promulgated by the PRC government. All land premium and taxes in relation to the land payable up to 31 March 2010 in the aggregate amount of RMB179,500,000 (HK$204,630,000) have been fully paid. In April 2010, Phoenix Oriental and 北京市國土資源局 (State-owned Assets Beijing Bureau) entered into a supplemental agreement to the land and project transfer contract to increase the total gross floor area to approximately 65,000 square metres and change the land use to mixed use and underground parking, for an additional land premium in the amount of approximately RMB45,660,000 (HK$52,052,400). The additional land premium together with deed tax in the aggregate total amount of approximately RMB47,000,000 (HK$53,580,000) was fully paid in May 2010. The additional land premium has been reflected in the lease premium for land and investment property under construction in accordance with the expected usage areas for the Group's operations and for rental income and capital appreciation.

The land, comprises of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres, in which the above ground portion of approximately 35,000 square metre, is to be used for cultural, entertainment and office uses. Management intends the land to be used for the development of the Phoenix International Media Centre which will contain theatres and television programme studios to be used by the Group.

Upon completion of the construction, approximately 25,400 square metres will be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

(b) For the year ended 31 December 2010, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$2,548,000 (2009: HK$2,222,000).

(c) Included in the net book value as of 31 December 2010 is an amount of HK$16,365,000 which was paid by the Group to the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Land Bureau") pursuant to notification from the Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square meters in the China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 31 December 2010, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate to its entitlement in the Shenzhen Building will be issued in the near future. As at 31 December 2010, the Group's entitlement to use of its entitled areas in the building continues to be accounted for as a finance lease as the Group had not yet obtained title to these entitled areas (Note 15(a)).

15. Property, Plant and Equipment, Net

	Freehold land and building $'000	Leasehold improvements $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED monitors $'000	Construction in progress $'000	Total $'000
Year ended 31 December 2009								
Opening net book amount	54,205	23,467	3,623	89,175	8,265	33,559	293,724	506,018
Currency translation differences	–	58	10	85	22	109	(146)	138
Acquired through business combinations	–	4,018	9	4,130	1,417	–	–	9,574
Additions	8,743	65,730	8,609	133,776	1,869	21,817	92,850	333,394
Transferred to investment property under construction (Note 16)	–	–	–	–	–	–	(13,505)	(13,505)
Disposals	–	–	(4)	(211)	–	–	–	(215)
Depreciation	(3,437)	(21,557)	(1,915)	(37,510)	(3,416)	(7,326)	–	(75,161)
Transfers	88,595	144,427	–	25,901	–	76,955	(335,878)	–
Closing net book amount (note a)	148,106	216,143	10,332	215,346	8,157	125,114	37,045	760,243
At 31 December 2009								
Cost	154,274	255,848	14,885	367,582	23,038	133,512	37,045	986,184
Accumulated depreciation and impairment	(6,168)	(39,705)	(4,553)	(152,236)	(14,881)	(8,398)	–	(225,941)
Net book amount	148,106	216,143	10,332	215,346	8,157	125,114	37,045	760,243
Year ended 31 December 2010								
Opening net book amount	**148,106**	**216,143**	**10,332**	**215,346**	**8,157**	**125,114**	**37,045**	**760,243**
Currency translation differences	**(26)**	**260**	**(1)**	**824**	**45**	**4,255**	**2,262**	**7,619**
Additions	**6,844**	**29,222**	**558**	**43,852**	**2,108**	**15,819**	**148,208**	**246,611**
Disposals	**–**	**(99)**	**(26)**	**(400)**	**(162)**	**–**	**–**	**(687)**
Depreciation	**(4,073)**	**(32,989)**	**(2,714)**	**(49,267)**	**(3,428)**	**(16,973)**	**–**	**(109,444)**
Transfers	**–**	**–**	**–**	**–**	**–**	**42,685**	**(42,685)**	**–**
Closing net book amount (note a)	**150,851**	**212,537**	**8,149**	**210,355**	**6,720**	**170,900**	**144,830**	**904,342**
At 31 December 2010								
Cost	**161,093**	**283,028**	**15,299**	**407,728**	**24,805**	**196,778**	**144,830**	**1,233,561**
Accumulated depreciation and impairment	**(10,242)**	**(70,491)**	**(7,150)**	**(197,373)**	**(18,085)**	**(25,878)**	**–**	**(329,219)**
Net book amount	**150,851**	**212,537**	**8,149**	**210,355**	**6,720**	**170,900**	**144,830**	**904,342**

Depreciation expense of approximately HK$66,240,000 (2009: HK$44,837,000) has been charged in operating expenses, and approximately HK$43,204,000 (2009: HK$30,324,000) in selling, general and administrative expenses.

15. Property, Plant and Equipment, Net (Continued)

(a) Included in the net book value as of 31 December 2010 is an amount of HK$28,283,000 which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. The Group's entitlement to use was accounted for as a finance lease as at 31 December 2010. As at 31 December 2010, the cost of this capitalised finance lease was HK$30,848,000 (2009: HK$30,848,000) with a net book value of HK$28,283,000 (2009: HK$28,982,000). As at 31 December 2010, the Group was still in the process of obtaining the title certificate to the 8,500 square meters of the entitled areas through the payment of land premium and taxes (Note 14(c)).

16. Investment Property under Construction

	2010	2009
	$'000	$'000
Balance, beginning of year	**217,657**	–
Currency translation differences	**7,164**	(448)
Transferred from lease premium for land (Note 14)	**32,238**	143,087
Transferred from property, plant and equipment (Note 15)	**–**	13,505
Additions	**92,100**	24,337
Valuation gain	**21,979**	37,176
Balance, end of year	**371,138**	217,657

The Group is developing the Phoenix International Media Centre on a piece of land situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing (Note 14(a)).

The total estimated floor area of the construction is approximately 62,800 square metres. Upon completion of the construction, approximately 25,400 square metres is expected to be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

The Group has applied the fair value model, as permitted by HKAS 40, to account for its investment property under construction and has fair valued the portion of the construction in progress of the Phoenix International Media Centre which is accounted for as investment property under construction. The fair value of the investment property under construction as at 31 December 2010 as valued by independent appraisers was approximately RMB318,000,000 (equivalent to approximately HK$371,138,000) (2009: RMB191,400,000 (equivalent to approximately HK$217,657,000)). A valuation gain of approximately HK$21,979,000 (2009: HK$37,176,000) was recognised in the consolidated income statement for the year ended 31 December 2010.

17. Intangible Assets

	Goodwill	Licenses	Contractual customer relationship	Club debentures	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2009						
Opening net book amount	–	–	–	2,705	1,520	4,225
Additions	–	–	–	–	2,954	2,954
Acquired through business combinations	8,733	2,401	1,923	–	933	13,990
Closing net book amount	8,733	2,401	1,923	2,705	5,407	21,169
At 31 December 2009						
Cost	8,733	2,401	1,923	2,705	5,407	21,169
Accumulated amortisation	–	–	–	–	–	–
Net book amount	8,733	2,401	1,923	2,705	5,407	21,169
Year ended 31 December 2010						
Opening net book amount	**8,733**	**2,401**	**1,923**	**2,705**	**5,407**	**21,169**
Additions	**–**	**–**	**–**	**–**	**150**	**150**
Disposal	**–**	**–**	**–**	**–**	**(934)**	**(934)**
Amortisation	**–**	**(705)**	**(648)**	**–**	**(559)**	**(1,912)**
Closing net book amount	**8,733**	**1,696**	**1,275**	**2,705**	**4,064**	**18,473**
At 31 December 2010						
Cost	**8,733**	**2,401**	**1,923**	**2,705**	**4,623**	**20,385**
Accumulated amortisation	**–**	**(705)**	**(648)**	**–**	**(559)**	**(1,912)**
Net book amount	**8,733**	**1,696**	**1,275**	**2,705**	**4,064**	**18,473**

Amortisation of approximately HK$1,353,000 (2009: Nil) is included in operating expenses, and approximately HK$559,000 (2009: Nil) in selling general and administrative expenses.

The goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The recoverable amount is based on a value in use calculation. There was no impairment charge recognised during the year (2009: Nil).

Certain of the Group's new media subsidiaries are in the process of applying for certain licenses for the operation of their businesses, including internet audio-visual program transmission license and internet news license.

18. Investments in Jointly Controlled Entities

	2010 $'000	2009 $'000
Unlisted investments, at cost	**13,246**	13,246
Capital injection to a jointly controlled entity (Note b)	**5,718**	–
Less: provision for impairment	**(472)**	(472)
Less: share of losses of jointly controlled entities	**(7,646)**	(5,852)
Unlisted investments, net	**10,846**	6,922

Details of the jointly controlled entities as at 31 December 2010 are 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諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 (Note a)	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB30,000,000
深圳市優悦文化傳播有限公司	The PRC 15 December 2010	The PRC	Radio Broadcasting in the PRC	50%	RMB10,000,000

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

On 27 May 2008, Hong Kong Phoenix entered into a new agreement with 北京廣播公司, 北京同步廣告傳播有限公司 and UPB International Media Limited which superseded the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix shall additionally inject RMB12,000,000 and become owner of 41.57% of the registered capital of the joint venture. As of 31 December 2010, the additional capital contribution had not been made by the Group.

(b) In December 2010, the Group set up 深圳市優悦文化傳播有限公司, a jointly-controlled entity with 廣東電台. The registered capital of 深圳市優悦文化傳播有限公司 is RMB10,000,000, of which 50% was contributed by the Group.

18. Investments in Jointly Controlled Entities (Continued)

The results of these jointly controlled entities, all of which are unlisted, and their aggregate assets and liabilities are as follows:

	2010 **$'000**	2009 $'000
Assets:		
Non-current assets	**184**	86
Current assets	**32,415**	22,976
	32,599	23,062
Liabilities:		
Current liabilities	**4,008**	2,732
	4,008	2,732
Net assets	**28,591**	20,330
Income	**22,777**	9,539
Expenses	**(26,653)**	(9,385)
(Loss)/profit after income tax	**(3,876)**	154

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

19. Investment in an Associate

	2010 **$'000**	2009 $'000
Unlisted investment, at cost	**5,564**	5,564
Less: share of loss on an associate	**(828)**	(826)
Unlisted investment, net	**4,736**	4,738

Details of the associate as at 31 December 2010 is 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
深圳市合眾傳媒有限公司	The PRC, 28 October 2008	The PRC	Advertising business	26.46%	RMB10,000,000

20. Interests in Subsidiaries

	Company 2010 $'000	2009 $'000
Unlisted shares, at cost (Note a)	–	–
Amount due from a subsidiary, net (Note b)	**865,451**	948,271
	865,451	948,271

(a) The following is a list of the subsidiaries at 31 December 2010:

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	Hong Kong	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	99.27%	US$1
PHOENIXi Investment Limited (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	93.6%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PHOENIXi, Inc.	The United States of America, limited liability company	The United States of America	Dormant	93.6%	US$0.1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (ii))	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 (Note a(i))	The PRC, limited liability company	The PRC	Internet services	93.6%	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
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

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

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 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	99.27%	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	Dormant	70%	RM1,000,000
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
Phoenix Publications (Hong Kong) Limited	Hong Kong, limited liability company	The PRC	Dormant	100%	HK$1
Phoenix Metropolis Media Holdings Limited (formerly known as Phoenix Metropolis Media Company Limited)	Hong Kong, limited liability company	The PRC	Outdoor media business	75%	HK$400

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

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	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	99.27%	US$3,223,454.37 (Ordinary Shares) US$1,300,000 (Series A preferred shares)
鳳凰都市(北京)廣告傳播有限公司 Phoenix Metropolis Media (Beijing) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	HK$48,000,000
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB22,072,992
鳳凰衛視都市傳媒(杭州)有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB8,857,320
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	60%	RMB35,000,000
鳳凰都市傳媒(廣州)有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	56.25%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB15,000,000
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited	The PRC, limited liability company	The PRC	Property holding	50%	RMB300,000,000

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

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
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Dormant	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	Hong Kong, limited liability company	The PRC	Outdoor media business	75%	HK$10,000
Phoenix Radio Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Télévision (France) SAS	France, limited liability company	France	Satellite television broadcasting	100%	EUR250,000
北京天盈九州網絡技術有限公司 Beijing Tianying Jiuzhou Network Technology Co. Ltd.	The PRC, limited liability company	The PRC	Internet contents provision	99.27% (Note a(iii))	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.	The PRC, limited liability company	The PRC	Telecommunications business contents provision	99.27% (Note a(iii))	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Adv. Co., Ltd.	The PRC, limited liability company	The PRC	Internet contents provision	99.27%	RMB5,000,000
PSTV, LLC	The United States of America, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd	The PRC, limited liability company	The PRC	Outdoor media business	75%	HK$10,000,000
鳳凰和信文化諮詢(北京)有限公司 Phoenix Cultural Consult (Beijing) Co., Ltd	The PRC, limited liability company	The PRC	Radio Boardcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC, limited liability company	The PRC	Radio Boardcasting	100%	RMB19,000,000

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Notes:

i. PHOENIXi Investment Limited, PHOENIXi, Inc and Guofeng On-line (Beijing) Information Technology Company Limited are currently undergoing liquidation.

ii. 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.

iii. Through entering various contractual arrangements with the registered equity holders of Beijing Tianying Jiuzhou Network Technology Co. Ltd ("Tianying") and Yifeng Lianhe (Beijing) Technology Co. Ltd. ("Yifeng"), the Group has acquired control over Tianying and Yifeng effective 31 December 2009. Accordingly, Tianying and Yifeng are accounted for as subsidiaries of the Group and are consolidated from 31 December 2009, date of acquisition of control.

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

(c) The Company has undertaken to provide the necessary financial resources to support the future operations of the subsidiaries within the Group. 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 2010.

21. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables $'000	Financial assets at fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2010				
Available-for-sale financial assets	**–**	**–**	**962**	**962**
Financial assets at fair value through profit or loss (Note 27)	**–**	**24,330**	**–**	**24,330**
Bank deposits (Note 28)	**113,280**	**–**	**–**	**113,280**
Accounts receivable (Note 23)	**211,416**	**–**	**–**	**211,416**
Other receivables (Note 24)	**410,596**	**–**	**–**	**410,596**
Amounts due from related companies (Note 26)	**29,705**	**–**	**–**	**29,705**
Restricted cash (Note 29)	**23,790**	**–**	**–**	**23,790**
Cash and cash equivalents (Note 30)	**1,312,502**	**–**	**–**	**1,312,502**
Total	**2,101,289**	**24,330**	**962**	**2,126,581**
31 December 2009				
Available-for-sale financial assets	–	–	962	962
Financial assets at fair value through profit or loss (Note 27)	–	53,824	–	53,824
Bank deposits (Note 28)	117,616	–	–	117,616
Accounts receivable (Note 23)	86,497	–	–	86,497
Other receivables (Note 24)	397,146	–	–	397,146
Amounts due from related companies (Note 26)	27,495	–	–	27,495
Restricted cash (Note 29)	21,607	–	–	21,607
Cash and cash equivalents (Note 30)	649,245	–	–	649,245
Total	1,299,606	53,824	962	1,354,392

21. Financial Instruments by Category (Continued)

	Financial liability at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Other financial liabilities $'000	Total $'000
Liabilities per consolidated balance sheet				
31 December 2010				
Accounts payable and other payables (Note 35)	**–**	**–**	**401,393**	**401,393**
Investment deposits (Note 36)	**–**	**–**	**52,520**	**52,520**
Amounts due to related companies (Note 26)	**–**	**–**	**11,372**	**11,372**
Borrowings				
– Secured bank borrowings (Note 37(a))	**–**	**245,091**	**–**	**245,091**
– Preference share liability (Note 37(b))				
– host debt	**–**	**215,041**	**–**	**215,041**
– derivative component	**192,974**	**–**	**–**	**192,974**
Total	**192,974**	**460,132**	**465,285**	**1,118,391**
31 December 2009				
Accounts payable and other payables (Note 35)	–	–	240,174	240,174
Amounts due to related companies (Note 26)	–	–	11,401	11,401
Borrowings				
– Secured bank borrowings (Note 37(a))	–	45,488	–	45,488
– Preference share liability (Note 37(b))				
– host debt	–	173,404	–	173,404
– derivative component	23,934	–	–	23,934
Total	23,934	218,892	251,575	494,401

Company

	Loans and receivables $'000
Assets as per balance sheet	
31 December 2010	
Cash and cash equivalents (Note 30)	**4,883**
31 December 2009	
Cash and cash equivalents (Note 30)	5,149

21. Financial Instruments by Category (Continued)

	Other financial liabilities $'000
Liabilities as per balance sheet	
31 December 2010	
Other payables and accruals (Note 35)	**285**
31 December 2009	
Other payables and accruals (Note 35)	200

22. Credit Quality of Financial Assets

Group

The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Accounts receivable

	2010 **$'000**	2009 $'000
Counterparties without external credit rating		
Group 1	**13,225**	5,343
Group 2	**199,868**	84,313
	213,093	89,656

Other receivables

	2010 **$'000**	2009 $'000
Counterparties without external credit rating		
Group 1	**4,507**	6,247
Group 2	**406,089**	390,899
	410,596	397,146

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Amounts due from related companies

	2010 $'000	2009 $'000
Counterparties without external credit rating		
Group 2	**29,705**	27,495

Group 1 – new customers (less than 6 months) with no business relationships in the past.

Group 2 – existing customers with no defaults in the past.

Cash and cash equivalents

Ratings by rating agencies of banks at which cash and deposits are held.

	Group		Company	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
AA	**215,481**	229,864	**4,828**	5,093
AA –	**6,347**	5,047	**–**	–
A	**2,959**	200	**–**	–
A–	**160,389**	56,894	**55**	56
BBB+	**619,949**	151,474	**–**	–
BBB	**128,647**	25,483	**–**	–
BBB–	**–**	40,473	**–**	–
Others (Note a)	**177,167**	138,775	**–**	–
	1,310,939	648,210	**4,883**	5,149

Note a: Others represented cash held at banks without credit rating. These banks are reputable banks with no defaults in the past.

Restricted cash

	2010 $'000	2009 $'000
AA	**21,213**	21,607
BBB+	**2,355**	–
Others	**222**	–
	23,790	21,607

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Bank deposits

	2010 **$'000**	2009 $'000
A–	**233**	227
BBB	**–**	106,016
BBB+	**113,047**	–
Others (Note b)	**–**	11,373
	113,280	117,616

Note b: Others represented short-term deposits placed at banks without credit rating.

Available-for-sale financial assets

	2010 **$'000**	2009 $'000
Others	**962**	962

Financial assets at fair value through profit or loss

	2010 **$'000**	2009 $'000
AA	**24,330**	26,533
A	**–**	27,291
	24,330	53,824

None of the financial assets that are fully performing has been renegotiated during the year.

23. Accounts Receivable, Net

	2010 **$'000**	2009 $'000
Accounts receivable	**213,093**	89,656
Less: Provision for impairment of receivables	**(1,677)**	(3,159)
	211,416	86,497

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

23. Accounts Receivable, Net (Continued)

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 (Note 24). The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

At 31 December 2010, the ageing analysis of the accounts receivable from customers is as follows:

	2010 $'000	2009 $'000
0-30 days	**100,055**	41,404
31-60 days	**48,719**	15,773
61-90 days	**24,618**	15,653
91-120 days	**16,825**	5,536
Over 120 days	**22,876**	11,290
	213,093	89,656
Less: Provision for impairment of receivables	**(1,677)**	(3,159)
	211,416	86,497

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2010 $'000	2009 $'000
RMB	**197,387**	74,020
US$	**9,657**	10,676
UK pound	**6,049**	4,960
	213,093	89,656

Movement on the Group's provision for impairment of accounts receivable is as follows:

	2010 $'000	2009 $'000
At 1 January	**3,159**	5,306
Provision for impairment of accounts receivable	**686**	2,899
Receivables written off during the year as uncollectible	**(1,003)**	(521)
Reversal of provision for impairment of accounts receivable	**(1,155)**	(4,574)
Currency translation differences	**(10)**	49
At 31 December	**1,677**	3,159

The creation and release of provision for impaired accounts receivables have been included in "selling, general and administrative expenses" in the consolidated income statement (Note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

23. Accounts Receivable, Net (Continued)

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 approximately HK$686,000 (2009: HK$2,899,000) for the impairment of its accounts receivable for the year ended 31 December 2010. The loss has been included in "selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$1,003,000 (2009: HK$521,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year. The Group has not reversed previously written-off accounts receivable during the year (2009: HK$441,000).

As at 31 December 2010, accounts receivable of approximately HK$58,098,000 (2009: HK$18,466,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2010	2009
	$'000	$'000
0 to 30 days	**30,642**	10,809
31-60 days	**9,352**	4,771
61-90 days	**4,149**	993
91-120 days	**8,019**	1,802
Over 120 days	**5,936**	91
	58,098	18,466

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. The Group does not hold any collateral.

24. Prepayments, Deposits and Other Receivables

	2010	2009
	$'000	$'000
Prepayment and deposits	**91,631**	79,024
Other receivables	**410,596**	397,146
	502,227	476,170
Less: non-current portion	**(30,672)**	(23,810)
Current portion	**471,555**	452,360

Included in other receivables is an amount of approximately RMB269,482,000 (HK$313,626,000) (2009: RMB274,524,000 (HK$313,263,000)) 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.

24. Prepayments, Deposits and Other Receivables (Continued)

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 RMB269,482,000 (equivalent to approximately HK$313,626,000) as at 31 December 2010 (2009: RMB274,524,000 (equivalent to approximately HK$313,263,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

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

Prepayment for long term assets represents deposits and prepayment paid for the acquisition of property, plant and equipment.

As at 31 December 2010, other receivables of HK$410,596,000 (2009: HK$397,146,000) were past due but not impaired. These relate to Shenzhou and a number of independent debtors for whom there is no recent history of default. The ageing analysis of these other receivables is as follows

	2010 **$'000**	2009 $'000
Up to 90 days	**349,353**	340,435
91 to 180 days	**14,748**	5,642
Over 180 days	**46,495**	51,069
	410,596	397,146

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2010 **$'000**	2009 $'000
RMB	**371,469**	379,484
US$	**550**	25
HK$	**37,607**	17,330
UK pound	**727**	274
Other currencies	**243**	33
	410,596	397,146

The other classes within prepayment, deposits and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of the prepayment, deposits and other receivables mentioned above. The Group does not hold any collateral as security.

25. Inventories

	2010 $'000	2009 $'000
Decoder devices and satellite receivers	**3,560**	3,994
Premium items	**3,098**	–
	6,658	3,994

The cost of inventories sold is recognised as expense and included in other income, net, amounted to approximately HK$660,000 for the year ended 31 December 2010 (2009: HK$835,000).

26. Amounts due from/to Related Companies

	2010 $'000	2009 $'000
Amounts due from related companies	**29,705**	27,495
Amounts due to related companies	**(11,372)**	(11,401)

At 31 December 2010, the ageing analysis of the amounts due from/to related companies, is as follows:

	2010 $'000	2009 $'000
Amounts due from related companies		
0-90 days	**18,634**	11,870
91-120 days	**1,813**	1,886
over 120 days	**9,258**	13,739
	29,705	27,495
Amounts due to related companies		
0-90 days	**–**	11,401
91-120 days	**–**	–
Over 120 days	**11,372**	–
	11,372	11,401

As at 31 December 2010, amount due from Satellite Televisions Asia Region Limited ("STARL") is HK$10,321,000 (2009: HK$17,273,000). STARL is a subsidiary of Xing Kong Chuan Mei Group Co Ltd, a substantial shareholder of the Company (Note 41(i)(a)).

As at 31 December 2010, amount due from China Mobile Communications Corporation ("CMCC"), a substantial shareholder of the Company, is approximately HK$18,236,000 (2009: HK$9,090,000) (Note 41(i)(k)).

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand (2009: same).

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

The maximum exposure of amounts due from related companies to credit risk at the reporting date is the carrying value mentioned above.

27. Financial Assets at Fair Value Through Profit or Loss

	2010 $'000	2009 $'000
Investments at fair value	**24,330**	53,824

The above investments were classified as fair value through profit or loss on initial recognition and current with a maturity less than one year of the inception date. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other income in the consolidated income statement (Note 5).

As at 31 December 2010, the financial assets at fair value through profit or loss represent the shares of HSBC of HK$24,330,000 (2009: HK$27,291,000).

The investment consists of 305,271 shares of HSBC. Any gain or loss resulting from changes in the fair value of the shares of HSBC is recognised in the consolidated income statement in the period of change. As at 31 December 2010, the closing price of the shares of HSBC was HK$79.7. If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, post-tax profit for the period would have been HK$12,165,000 higher/lower. The investment in HSBC Shares is managed and its performance evaluated on a fair value basis and information about this investment is reported to management on that basis and as such has been designated as a financial asset at fair value through profit or loss.

At 31 December 2009, the financial assets at fair value through profit or loss consisted of the investment in shares of HSBC and an investment in a 100% principal protected commodity index participation note. During the year, the 100% principal protected commodity index participation note was redeemed at maturity.

28. Bank Deposits

	2010 $'000	2009 $'000
Short-term deposits (Note a)	**113,280**	117,616

(a) Short-term deposits represent bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposit.

	2010 $'000	2009 $'000
RMB	**6,068**	11,599
US$	**107,212**	106,017
	113,280	117,616

29. Restricted Cash

Restricted cash represents cash and cash equivalents amounting to HK$20,644,000 (2009: HK$18,338,000) held by PHOENIXi Investment Limited and Guofeng On-line (Beijing) Information Technology Company Limited, indirectly owned subsidiaries of the Company. PHOENIXi Investment Limited and Guofeng On-line (Beijing) Information Technology Company Limited are currently undergoing liquidation and is held under trust by the liquidator. The remaining restricted cash of HK$3,146,000 (2009: HK$3,269,000) represents a deposit pledged to a bank to secure a banking guarantee (Note 31).

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	Group	
	2010 $'000	2009 $'000
US$	**18,067**	18,338
RMB	**2,577**	–
Other currencies	**3,146**	3,269
	23,790	21,607

30. Cash and Cash Equivalents

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**760,580**	503,601	**4,883**	5,149
Short-term bank deposits	**551,922**	145,644	**–**	–
	1,312,502	649,245	**4,883**	5,149
Maximum exposure to credit risk	**1,310,939**	648,210	**–**	–
Denominated in:				
– HK$	**29,043**	40,449	**4,760**	5,025
– RMB	**458,514**	255,856	**–**	–
– US$	**814,621**	345,850	**123**	124
– Other currencies	**10,324**	7,090	**–**	–
	1,312,502	649,245	**4,883**	5,149

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits for the purpose of the consolidated statement of cash flows.

31. Banking Facilities

On 27 July 2009, Phoenix Oriental obtained loan facilities amounting to approximately HK$583,550,000 from Bank of Beijing to fund the construction work on the Phoenix International Media Centre. As at 31 December 2010, loan facilities of approximately HK$338,459,000 (2009: HK$523,000,000) was unutilised.

Save as disclosed above,as at 31 December 2010, the Group had remaining banking facilities amounting to approximately HK$18,146,000 (2009: HK$18,269,000) of which approximately HK$13,658,000 (2009: HK$13,667,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2010, deposits of approximately HK$3,146,000 (2009: HK$3,269,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary (Note 29).

32. Share Capital

	2010 Number of shares	2010 Amount $'000	2009 Number of shares	2009 Amount $'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:				
At 1 January	**4,970,142,000**	**497,014**	4,954,412,000	495,441
Exercise of share options	**16,889,500**	**1,689**	15,730,000	1,573
At 31 December	**4,987,031,500**	**498,703**	4,970,142,000	497,014

33. Share Options

(a) Share options of the Company

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.

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

	2010 Average exercise price in HK$ per share	2010 Options '000	2009 Average exercise price in HK$ per share	2009 Options '000
At 1 January	**1.21**	**36,568**	1.18	48,076
Granted	**–**	**–**	1.17	5,254
Exercised	**1.11**	**(16,889)**	1.11	(15,730)
Lapsed	**1.08**	**(690)**	1.26	(1,032)
At 31 December	**1.30**	**18,989**	1.21	36,568

As at 31 December 2010, out of the 18,989,000 outstanding options (2009: 36,568,000 options), 12,944,000 (2009: 26,180,000) were exercisable. Options exercised in 2010 resulted in 16,889,000 shares (2009: 15,730,000 shares) being issued at HK$1.11 each (2009: HK$1.11). The related weighted average share price at the time of exercise was HK$1.99 (2009: HK$1.85) per share.

33. Share Options (Continued)

(a) Share options of the Company (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 2010 '000	2009 '000
13 June 2010	1.08	**–**	15,746
14 February 2011	1.99	**500**	500
9 August 2011	1.13	**3,800**	4,200
19 December 2012	0.79	**600**	600
25 March 2017	1.45	**9,045**	10,268
21 July 2019	1.17	**5,044**	5,254
		18,989	36,568

Total expenses recognised in the consolidated income statement for these share options granted to employees amounted to approximately HK$434,000 for the year ended 31 December 2010 (2009: HK$790,000).

(b) Share options of a subsidiary

Phoenix New Media Limited ("PNM"), an indirect wholly-owned subsidiary of the Company, granted 4,557,900 share options of PNM on 8 January 2010 and granted 11,035,325 share options of PNM on 1 July 2010, to the employees and a consultant of PNM or its subsidiaries under the PNM share option scheme approved on 20 June 2008 ("PNM Share Option Scheme").

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

	2010 Average exercise price in US$ per share	2010 Options '000
At 1 January	**0.03215**	**72,332**
Granted	**0.03215**	**15,768**
Lapsed	**0.03215**	**(4,727)**
At 31 December		**83,373**

33. Share Options (Continued)

(b) Share options of a subsidiary (Continued)

As at 31 December 2010, out of the 83,373,000 outstanding options (2009: 72,332,000), no share option was exercised under the PNM Share Option Scheme (2009: 2,002,000).

Share options outstanding as at 31 December 2010 will expire on 25 May 2018 and have an exercise price of US$0.03215.

The average fair value of options granted during the year determined using the Black-Scholes valuation model was ranging from US$0.0158 to US$0.3941 each. The significant assumptions used in the model were cash flow projections prepared by management, discount rate ranging from 20.6% to 23.02%, the exercise price shown above, volatility ranging from 54.37% to 54.91%, an expected option life of 4.64 to 5.3 years and annual risk-free interest rates ranging from 2.65% to 3.57%. The volatility was estimated based on average annualised standard deviation of the share price of comparable listed companies..

Total expenses recognised in the consolidated income statement for these share options granted to PNM's employees amounted to approximately HK$15,003,000 (2009: HK$1,196,000) for the year ended 31 December 2010.

34. Reserves

Movement in the reserves of the Company during the year was as follows:

	Share premium $'000	Employee share-based payment reserve $'000	Accumulated deficit $'000	Total $'000
At 31 December 2008	579,844	3,411	(47,409)	535,846
Exercise of share options	16,465	(552)	–	15,913
Loss for the year	–	–	(2,209)	(2,209)
Dividends related to 2008	(94,134)	–	–	(94,134)
Employee share-based payment expenses	–	790	–	790
At 31 December 2009	**502,175**	**3,649**	**(49,618)**	**456,206**
Exercise of share options	**17,596**	**(553)**	**–**	**17,043**
Loss for the year	**–**	**–**	**(2,632)**	**(2,632)**
Dividends related to 2009	**(99,705)**	**–**	**–**	**(99,705)**
Employee share-based payment expenses	**–**	**434**	**–**	**434**
At 31 December 2010	**420,066**	**3,530**	**(52,250)**	**371,346**

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 owners. As at 31 December 2010, in the opinion of the Directors, the Company's reserves available for distribution to owners, comprising the share premium account and accumulated deficit, amounted to approximately HK$367,816,000 (2009: HK$452,557,000).

35. Accounts Payable, Other Payables and Accruals

(a) Group

	2010 $'000	2009 $'000
Accounts payable	**144,272**	86,692
Other payables and accruals	**266,298**	156,820
	410,570	243,512
Less: non-financial liabilities	**(9,177)**	(3,338)
	401,393	240,174

At 31 December 2010, the ageing analysis of the accounts payable was as follows:

	2010 $'000	2009 $'000
0-30 days	**52,252**	40,186
31-60 days	**13,964**	9,812
61-90 days	**8,011**	861
91-120 days	**5,558**	2,262
Over 120 days	**64,487**	33,571
	144,272	86,692

The carrying amounts of accounts payable, other payables and accruals are denominated in the following currencies:

	2010 $'000	2009 $'000
HK$	**108,378**	93,858
RMB	**284,625**	139,659
US$	**5,207**	3,869
UK pound	**2,781**	2,285
Others	**402**	503
	401,393	240,174

(b) Company

The amount represents provision for administrative expenses of HK$285,000 (2009: HK$200,000). The carrying amount approximates its fair value and is denominated in HK$.

36. Investment Deposits

During the year, the Group entered into framework agreements with three investors in respect of their investment into Phoenix Metropolis Media (Beijing) Company Limited ("PMM Beijing"), a 75% indirectly owned subsidiary of the Group engaged in the outdoor media business. Under the agreements, the three investors would contribute RMB194,000,000 into PMM Beijing in return for an approximately 28.6% interest in PMM Beijing. As at 31 December 2010, PMM Beijing had received approximately HK$53,000,000 from the investors as investment deposits. Further investment deposits of HK$84,000,000 were received subsequent to year end in accordance with the terms of the agreements. The investment by the three investors must be completed by 30 June 2011 or the investment deposits will have to be returned to the investors in accordance with the terms of the framework agreements.

37. Borrowings

	Group 2010 $'000	2009 $'000
Secured bank borrowings (Note a)	**245,091**	45,488
Preference share liability (Note b)	**408,015**	197,338
	653,106	242,826

(a) Secured bank borrowings

Secured bank borrowings denominated in RMB mature on 26 July 2012 and bear average coupons of 5.4% annually (2009: 5.4%).

Secured bank borrowings are secured by the land in Chaoyang Park with carrying values of approximately HK$115,000,000 (2009: HK$93,000,000), HK$92,000,000 (2009: HK$26,000,000) and HK$371,000,000 (2009: HK$218,000,000) recorded in lease premium for land, construction in progress and investment property under construction respectively.

(b) Preference share liability

PNM entered into the Preferred Shares Agreement ("Agreement") with three institutional investors, agreeing to issue 130,000,000 convertible Series A Preferred Shares ("Preferred Shares"), with par value of US$0.01 each, of PNM to the investors at a total consideration of US$25,000,000 (approximately HK$195,000,000). Upon approval of the board of directors of PNM to declare dividends, the Preferred Shares will be entitled to receive in preference to any payment on the ordinary shares, preferential non-cumulative dividends at the rate of 8% of the issue price, on an annual basis. The preference shares are convertible into ordinary shares at any time or mandatorily on an initial public offering of PNM on the basis of 1:1 subject to certain adjustments as defined in the Agreement. They are redeemable at the option of the holder at any time after 31 December 2013 or earlier, on the occurrence of certain events as specified in the Agreement. On redemption, the preferred shareholders are entitled to receive the greater of: (a) the original issue price plus a redemption premium plus all declared but unpaid dividends; or (b) the fair market value of the Preferred Shares as determined by an independent appraiser.

In accordance with HKAS 39 "Financial Instrument: Recognition and Measurement", the Preferred Shares represent a compound financial instrument with multiple components, which comprise:

- A host debt component;
- An equity component; and
- A compound embedded derivative component (representing the investor's option to require the Company to redeem the shares for cash at the predetermined amount and the investor's option to convert the preference shares into a variable number of PNM's ordinary shares and the mandatory conversion upon an initial public offering).

The fair value of the Preferred Shares at issuance (equal to their face value at issuance) is assigned to its respective debt, compound derivative and equity components based on the fair value of the debt and compound derivative components. The equity component is the remaining amount left after the fair value of the Preferred Shares has been allocated to the debt and compound derivative components and was nil. The host debt component is subsequently carried at amortised cost using the effective interest rate method. The derivative component is subsequently fair valued at each balance sheet date with changes in fair value being reflected in the consolidated income statement.

37. Borrowings (Continued)

(b) Preference share liability (Continued)

As at 31 December 2010, the carrying values of the host debt and derivative component of the Preferred Shares are as follows:

	2010 $'000	2009 $'000
Host debt – opening balance	**173,404**	169,623
Currency translation differences	**60**	–
Add: interest accretion during the year	**41,577**	3,781
	215,041	173,404
Derivative component – opening balance	**23,934**	23,934
Currency translation differences	**(47)**	–
Add: change in fair value during the year	**169,087**	–
	192,974	23,934
Preference share liability	**408,015**	197,338

The fair value of the Preferred Shares was determined using the discounted cash flow method. The significant assumptions used were discount rate of 20.43% (2009: 22.97%); volatility of 55.26% (2009: 56.41%) and annual risk-free interest rate of 3.15% (2009: 2.91%). The volatility was determined based on average of industry annualised historical stock price volatility. In addition to the above assumptions, management projection of future performance were also factored into the determination of the fair value of the Preferred Shares.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Secured bank borrowings	**245,091**	45,488	**245,091**	45,488
Financial liability at amortised cost	**215,041**	173,404	**215,041**	173,404
Financial liability at fair value through profit or loss	**192,974**	23,934	**192,974**	23,934
	653,106	242,826	**653,106**	242,826

38. DEFERRED INCOME TAX

Deferred income tax for the year ended 31 December 2010 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

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$408,352,000 as at 31 December 2010 (2009: HK$408,023,000) to carry forward against future taxable income. Approximately HK$397,283,000 (2009: HK$398,162,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2027.

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of investment property under construction		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**37,580**	16,387	**9,294**	–	**46,874**	16,387
(Credited)/charged to the consolidated income statement	**(5,174)**	21,215	**5,495**	9,294	**321**	30,509
Currency translation differences	**504**	(22)	**–**	–	**504**	(22)
At 31 December	**32,910**	37,580	**14,789**	9,294	**47,699**	46,874

Deferred income tax assets

	Tax losses		Decelerated tax depreciation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(13,341)**	(5,971)	**(91)**	(349)	**(13,432)**	(6,320)
Charged/(credited) to the consolidated income statement	**229**	(7,370)	**(22)**	258	**207**	(7,112)
At 31 December	**(13,112)**	(13,341)	**(113)**	(91)	**(13,225)**	(13,432)

39. NET CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to net cash generated from operations

	2010 $'000	2009 $'000
Profit before income tax	**552,914**	378,722
Amortisation of lease premium for land	**5,292**	4,966
Depreciation of property, plant and equipment	**109,444**	75,161
Amortisation of purchased programme and film rights and other charges	**23,150**	29,546
Amortisation of intangible asset	**1,912**	–
Employee share-based payment	**15,437**	1,986
Provision for impairment of receivables	**1,677**	2,899
Loss on disposal of property, plant and equipment	**658**	206
Share of loss/(profit) of jointly controlled entities	**1,794**	(71)
Share of loss of an associate	**2**	826
Valuation gain on investment property under construction	**(21,979)**	(37,176)
Interest income	**(7,407)**	(5,143)
Gains on acquisition of a subsidiary	**–**	(2,371)
Investment income	**(3,355)**	(2,100)
Fair value loss/(gain) on financial assets at fair value through profit or loss	**6,187**	(3,302)
Fair value loss on preference share liability – derivative component	**169,087**	–
Interest expenses – preference share liability	**41,577**	3,781
Increase in accounts receivable	**(126,596)**	(21,977)
(Increase)/decrease in prepayments, deposits and other receivables	**(19,195)**	3,833
(Increase)/decrease in inventories	**(2,664)**	994
Increase in amounts due from related companies	**(2,210)**	(7,588)
(Increase)/decrease in self-produced programmes	**(5,999)**	45
Decrease in bank deposits	**4,336**	12,221
Increase in restricted cash	**(2,183)**	(230)
Increase in accounts payable, other payables and accruals	**167,058**	2,529
Decrease in provision for asset retirement obligation	**–**	(5,145)
Increase in deferred income	**28,363**	6,544
Decrease in amounts due to related companies	**(29)**	(176)
Net cash generated from operations	**937,271**	438,980

40. COMMITMENTS

(a) Service charges

As at 31 December 2010, the Group had committed service charges payable to STARL in respect of a service agreement expiring on 30 June 2012 and service charges payable to Fox in respect of service agreement expiring on 31 December 2011. Total committed service charges payable to STARL and to Fox are analysed as follows:

	2010	2009
	$'000	$'000
Not later than one year	**19,884**	19,934
Later than one year and not later than five years	**9,747**	29,610
	29,631	49,544

(b) Operating lease

As at 31 December 2010, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2010	2009
	$'000	$'000
Not later than one year	**88,596**	12,772
Later than one year and not later than five years	**262,032**	15,782
Later than five years	**121,437**	303
	472,065	28,857

(c) Capital commitments

As at 31 December 2010, the Group had capital commitments as follows:

	2010	2009
	$'000	$'000
Authorised but not contracted for	**173,194**	492,924
Contracted but not provided for	**487,220**	23,825
	660,414	516,749

(d) Other commitments

As at 31 December 2010, the Group had other operating commitments under various agreements as follows:

	2010	2009
	$'000	$'000
Not later than one year	**33,049**	30,441
Later than one year and not later than five years	**34,122**	21,589
Later than five years	**2,294**	–
	69,465	52,030

41. RELATED PARTY TRANSACTIONS

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

	Note(s)	**2010** **$'000**	2009 $'000
Service charges paid/payable to STARL	a, b	**19,872**	31,733
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	**4,478**	4,214
Film license fees paid/payable to Fortune Star	g, p	**1,517**	–
Programme license fees to Fox International	g, o	**–**	1,222
Service charges paid/payable to Asia Television Limited ("ATV")	d, e	**–**	11
Service charges received/receivable from ATV	d, f	**978**	1,233
Service charges paid/payable to Fox	g, h	**532**	666
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	i, j	**996**	945
Service charges received/receivable from China Mobile Communication Corporation and its associates ("the CMCC Group")	k, l	**133,438**	–
Service charges paid/payable to the CMCC Group	k, m	**34,024**	–
Advertising sales to the CMCC Group	k, n	**42,387**	47,024
Key management compensation	iii	**27,906**	24,360

Notes:

(a) STARL is a wholly-owned subsidiary of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 2 July 2009. The summary of the terms of the service agreement is set out in the announcement of the Company dated 3 July 2009. Either fixed fees or variable fees are charged depending on the type of services utilised.

41. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

Notes: (Continued)

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2009: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly ceased to own approximately 26.85% of ATV since 15 October 2010.

(e) 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.

(f) 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.

(g) Fox International, Fox and Fortune Star are associates of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(h) Service charges paid/payable to Fox cover the granting of non-exclusive and non-transferable license to subscribe for Fox's news service provided to the Group which is charged based on the terms specified in a service agreement.

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

(j) Service charges paid/payable to BSkyB for encoding and electronic programme guide services provided to the Group which are charged based on terms specified in the service agreements.

(k) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.71% of the issued share capital of the Company.

(l) Service charges received/receivable from CMCC Group related to wireless income which are charged on terms specified in the agreement.

(m) Service charges paid/payable to CMCC Group related to wireless and video cost which are charged on terms specified in the agreement.

(n) Advertising sales to the CMCC Group are related to airtime advertising, programme sponsoring on channels and airtime advertising on giant sized light-emitting diode panels operated by the Group.

(o) Programme license fee to Fox International are charged on terms specified in a license agreement.

(p) The film license fees are charged in accordance with a film right agreement with Fortune Star.

41. RELATED PARTY TRANSACTIONS (Continued)

(ii) Year end balances arising from related party transactions as disclosed in Note 41(i) above were also disclosed in Note 26.

(iii) Key management compensation

	2010	2009
	$'000	$'000
Salaries	**13,280**	12,796
Discretionary bonuses	**8,450**	5,600
Housing allowance	**4,950**	4,783
Pension costs	**1,226**	1,181
	27,906	24,360

42. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the current year's presentation.

43. SUBSEQUENT EVENTS

On 9 March 2011, the Company granted a total of 104,820,000 share options to the directors, chief executive, substantial shareholder of the Company and certain employees of the Company and its subsidiaries under the Company's share option scheme adopted on 19 June 2009 at an exercise price of HK$2.92 per share.

On 15 March 2011, PNM adopted the Restricted Share Unit and Restricted Share Scheme (the "PNM March 2011 Scheme"), under which PNM may grant up to 29,059,158 restricted share units or restricted shares to the executives, employees or directors of PNM or its affiliates, provided that the number of restricted share units or restricted shares granted under the PNM March 2011 Scheme plus the number of share options granted and unvested under the PNM Share Option Scheme shall in no event exceed 96,000,000 shares.

On 15 March 2011, PNM cancelled 18,778,200 unvested stock options granted under the PNM Share Option Scheme, and on 17 March 2011, PNM granted 19,008,200 restricted shares under the PNM March 2011 Scheme to the affected employees. These transactions are being accounted for as a modification of share-based awards, and PNM is in the process of determining the incremental fair value resulting from this modification. In addition, PNM further granted 10,050,958 restricted share units to its employees under the PNM March 2011 Scheme on 17 March 2011.

Financial Summary

Consolidated Results

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000 (Note 42)	Year ended 31 December 2008 $'000 (Note 42)	Year ended 31 December 2007 $'000 (Note 42)	Year ended 31 December 2006 $'000 (Note 42)
Results					
Revenue	**2,598,314**	1,519,648	1,375,829	1,172,686	1,047,481
Operating expenses	**(1,560,113)**	(992,155)	(931,277)	(797,962)	(712,939)
Selling, general and administrative expenses	**(315,245)**	(202,383)	(164,544)	(128,300)	(137,330)
Other (loss)/income, net	**(170,042)**	53,612	53,175	82,750	48,613
Profit before taxation and non-controlling interests	**552,914**	378,722	333,183	329,174	245,825
Taxation	**(108,490)**	(76,735)	(57,594)	(50,640)	(34,938)
Profit before non-controlling interests	**444,424**	301,987	275,589	278,534	210,887
Non-controlling interests	**(22,602)**	(2,241)	11,235	215	1,498
Profit attributable to owners of the Company	**421,822**	299,746	286,824	278,749	212,385

Consolidated Assets and Liabilities

	As at 31 December				
	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Total assets	**3,825,883**	2,716,942	2,111,386	1,635,542	1,433,350
Total liabilities	**(1,368,592)**	(658,039)	(281,945)	(225,753)	(266,662)
Non-controlling interests	**(250,213)**	(227,611)	(223,826)	(24,424)	(7,139)
Equity attributable to owners of the Company	**2,207,078**	1,831,292	1,605,615	1,385,365	1,159,549