Phoenix Satellite Television Holdings Limited
鳳凰衛視控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 02008

What a Billion Show

Annual Report 年報 2011


15th
ANNIVERSARY

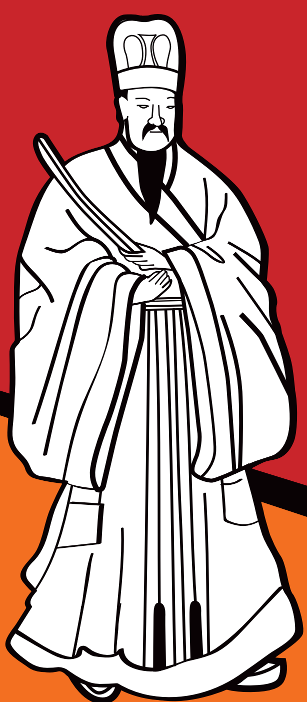
15th ANNIVERSARY

Mission Statement 公司使命

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.

全力向着成為各華人群體之間，以及華人群體與世界各地之間的「**華語聯繫**」的願景發展，鳳凰分享無間的華語節目，包括娛樂、評論節目、亞洲及西方影片、平衡準確的即時新聞，以及全球政治及經濟發展的資訊。通過演繹這些角色，鳳凰不單令世界逐漸走向中國，同時亦令中國逐漸走向世界。

Content



Phoenix Milestones

1996

26 FEBRUARY

Phoenix Satellite Television Company Limited was established when Today's Asia Limited, Satellite Television Asian Region Limited, and China Wise International Limited reached an agreement to operate a Mandarin Chinese television broadcaster in the Asia-Pacific region. Mr. LIU Changle was elected Chairman of the Board following the inception of the company.

31 MARCH

Phoenix Chinese Channel began broadcasting.

1998

28 AUGUST

Phoenix Movies Channel was inaugurated.

1999

21 AUGUST

Phoenix Chinese News and Entertainment Channel was launched in London.

1 NOVEMBER

Phoenix Satellite Television Company Limited signed an agreement with the Malaysian pay TV broadcaster, ASTRO, making Phoenix Chinese Channel available to more than six million Malaysian Chinese through ASTRO.

2000

31 MARCH

With a trial version published, the Phoenix Weekly magazine was launched and received a license for distribution throughout Mainland China.

30 JUNE

Phoenix announced its listing on the GEM Board of the Hong Kong Stock Exchange at an offer price of HK$1.08 with a stock code of 8002.

2001

1 JANUARY

Phoenix InfoNews Channel and Phoenix North America Chinese Channel began operating.

18 OCTOBER

Phoenix Chinese Channel was licensed by the Chinese State Administration of Radio, Film and Television to broadcast without restriction across the Pearl River Delta Region in China.

2005

25 NOVEMBER

Phoenix became the first international Chinese language television broadcaster to gain approval from the Canadian Radio-television and Telecommunications Commission to broadcast in Canada.

2007

JUNE

Phoenix began to broadcast in Australia on the Jade DTH system, strengthening its access to this Western country which has the largest overseas Chinese community calculated on a per capita basis.

2008

DECEMBER

Phoenix Satellite Television Holdings Limited moved from the Growth Enterprise Market to the Main Board of the Hong Kong Stock Exchange, with the stock code of 02008.

2009

30 MARCH

The Phoenix Global News Centre opened in the Tai Po Industrial Estate in Hong Kong on 30 March. Phoenix headquarters also relocated to the new address.

2011

28 MARCH

Phoenix Hong Kong Channel began broadcasting in Hong Kong.

12 MAY

Phoenix New Media Limited (NYSE: FENG) was listed on the New York Stock Exchange at an offer price of US$11.

2011 Annual Highlights

28 MARCH

Phoenix Hong Kong Channel was officially launched in Hong Kong.

MARCH

Various events were organized in the Great Hall of the People in Beijing, Tsinghua University and Peking University to celebrate the 15th Anniversary of Phoenix.

12 MAY

Phoenix New Media Limited (NYSE:FENG) was listed on the New York Stock Exchange at an offer price of US$11.

25 MAY

The TV series "Dream Home" originated by Phoenix North America Chinese Channel, was awarded a silver medal by the 2011 Annual Communicator Awards. The award was judged by the world's most renowned media companies including YAHOO, Disney, HBO, etc, with reference to the creativity, the influence on the industry and the society of the product.

27 MAY

The construction of the steel structural framework of the Phoenix International Media Centre, which is situated at the south-western corner of Chaoyang Park, Beijing, was completed and the Chairman and CEO of Phoenix Satellite Television Holdings Ltd., Mr. LIU Changle, was present at this high-end ceremony.

1 JUNE

An exhibition of "Landscape Reunited - Huang Gongwang and Dwelling in the Fuchun Mountains", which involved the reunification of a long separated work created a long time ago during the Yuan Dynasty, which was sponsored and organized by Phoenix Satellite Television, was held at the National Palace Museum in Taipei.

22 OCTOBER

The final of the "Miss Chinese Cosmos Pageant 2011" hosted by Phoenix Satellite Television was held at the Kowloon Bay International Trade & Exhibition Centre, Hong Kong. After vigorous competition involving Q&A, dancing, etc. between 12 contestants, Miss Ai Chu-er (No. 10) won the crown, while the first runner-up and the second runner-up prizes were awarded to Miss Fu Jie-lin from Malaysia and Miss Wu Chen-cen from Shenzhen.

27 OCTOBER

The opening ceremony of the film "Dwelling in the Fuchun Mountains", which is jointly produced by China Film Group, Phoenix Satellite Television and Pegasus & Taihe Entertainment with an investment of over 100 million, was launched at "Autumn Moon Over the Calm Lake", one of the ten famous scenes at Hangzhou West Lake.

In addition to the main characters Mr. Andy Lau, Miss Lin Chi-ling, Miss Zhang Jing-chu and Mr. Tong Da-wei, Chairman and CEO of Phoenix Television Mr. Liu Changle JP, Chairman of China Film Group Mr. Han San-ping, Chairman and President of Pegasus & Taihe Entertainment Mr. Sun Jian-jun and officials of Zhejiang Province and Hangzhou City also attended the ceremony.

15th ANNIVERSARY

Chairman's Statement

The Group's revenue and operating profit for the year ended 31 December 2011 were approximately HK$3,639,445,000 and HK$912,349,000 respectively, which represented an increase of respectively 41.9% and 26.2% over the same period last year.

Chairman's Statement

Financial Summary

- Revenue and operating profit for the year ended 31 December 2011 were approximately HK$3,639,445,000 and HK$912,349,000 respectively, which represented an increase of respectively 41.9% and 26.2% over the same period last year.

- Non-GAAP profit attributable to owners of the Company, which included the gain on deemed disposal of partial interests in the new media and the outdoor media, increased to approximately HK$1,564,386,000 from HK$421,822,000 in last year. Please refer to the chart on page 10 for details.

- Loss attributable to owners of the Company after charging the non-cash fair value loss and interest accretion of PNM's Preferred Shares was improved by approximately HK$473,089,000 in the second half year of 2011 to approximately HK$66,885,000.

- The Board recommended a final dividend of 4.2 Hong Kong cents per share. Together with the special dividend of 3.8 Hong Kong cents per share, there is an aggregate distribution of 8 Hong Kong cents per share for the year of 2011.

Results

The chart below summarises the Group's revenue, operating costs, profit from operations and profit/(loss) attributable to owners of the Company for the six months ended 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 respectively. By presenting the Group's performance in each six-month period over the previous two years, it is clear that there is a healthy and continuous upward trend in the Group's operations.

	Six months ended			
	31 December 2011 HK$'000	30 June 2011 HK$'000	31 December 2010 HK$'000	30 June 2010 HK$'000
Revenue	2,099,298	1,540,147	1,476,260	1,089,130
Operating costs	(1,470,125)	(1,256,971)	(1,018,814)	(823,620)
Profit from operations	629,173	283,176	457,446	265,510
Profit/(loss) attributable to owners of the Company	473,089	(539,974)	231,110	190,712

The Group's revenue for the six months ended 31 December 2011 increased to HK$2,099,298,000 which represented a 42.2% and 36.3% growth over the revenue of the same period last year and first half year of 2011 respectively. The profit from operations reached the record high of HK$629,173,000 for the six months of 31 December 2011, which represented a 37.5% and 122.2% growth over the revenue of the same period last year and first half year of 2011 respectively. As a consequence of characteristic of advertising sales, the performance of the second half of the year surpasses that of the first half of the year. The main drivers behind this result were the growth in revenue from new media, outdoor media and broadcasting advertising. A loss attributable to owners of the Company is recorded for the six months ended 30 June 2011 after charging the non-cash fair value loss and interest accretion of the Preferred Shares issued by Phoenix New Media Limited ("PNM"), an indirect non-wholly owned subsidiary of the Company, in accordance with the Hong Kong Generally Accepted Accounting Principles ("GAAP").

The Group's revenue for the year ended 31 December 2011 was approximately HK$3,639,445,000, which represented a 41.9% increase over the revenue earned in the previous year. Operating costs increased by 48.0% to approximately HK$2,727,096,000. The upward movement in operating costs was mainly due to the expansion of the new media and the outdoor media businesses.

The Group's operating profit for the year ended 31 December 2011 was approximately HK$912,349,000, which represented an increase of 26.2% over the previous year. The Non-GAAP profit attributable to owners of the Company, which included the gain on deemed disposal of partial interests in both the new media and the outdoor media, increased to approximately HK$1,564,386,000 from HK$421,822,000 in the previous year.

The spin-off of PNM through a separate listing on the New York Stock Exchange ("NYSE") in May 2011 has provided the Group a "gain on deemed disposal". However, as PNM remains a non-wholly owned subsidiary of the Company after its spin-off and separate listing, according to the existing GAAP, such "gain on deemed disposal" will only be reflected directly in equity instead of in the consolidated income statement for the year. The Group recognised a gain on deemed disposal of partial interest in PNM of approximately HK$1,563,711,000 in the equity attributable to owners of the Company during the year ended 31 December 2011.

All convertible Series A Preferred Shares ("Preferred Shares") issued in November 2009 by PNM to three independent investors – the US-based Intel Capital Corporation, the Swiss-based Bertelsmann Asia Investments AG, and the Hong Kong-owned company Morningside China TMT Fund I, L.P. – were converted into Class A ordinary shares of PNM on the eve of the listing of PNM in accordance with the terms of the agreements with these three investors. The fair value of the derivative component of the Preferred Shares up to the date of conversion increased by HK$947,100,000 (year ended 31 December 2010: HK$169,087,000), and this non-cash fair value loss was reflected in the consolidated income statement for the year. Interest accretion of the debt component of the Preferred Shares, which was included under finance income/(costs), net for the year ended 31 December 2011, was approximately HK$17,613,000 (for the year ended 31 December 2010: HK$41,577,000). As all Preferred Shares were converted at the time of listing, there will not be any non-cash fair value gain/loss or interest accretion in the future. Please refer to note 37(b) to the consolidated financial statements for details of the preference share liability.

In May 2011, Phoenix Metropolis Media Technology Co., Ltd. ("PMM Beijing"), formerly known as Phoenix Metropolis Media (Beijing) Company Limited, entered into a capital increase agreement with independent investors and other parties and this has also provided the Group a "gain on deemed disposal". In November 2011, PMM Beijing acquired the equity of Phoenix Metropolis Media (Guangzhou) Co., Ltd. ("PMM Guangzhou") and Shenzhen Phoenix Metropolis Media Co., Ltd. ("PMM Shenzhen") from non-controlling interests. As a result, both PMM Guangzhou and PMM Shenzhen have become wholly owned subsidiaries of PMM Beijing. As the Group retains control over PMM Beijing the "net gain on acquisition and deemed disposal" of approximately HK$67,560,000 was reflected directly in equity.

A fair value gain of approximately HK$127,488,000 (year ended 31 December 2010: HK$21,979,000) was recognised for the investment property under construction in Beijing.

The loss attributable to owners of the Company after charging the non-cash fair value loss and interest accretion of the Preferred Shares in accordance with GAAP was approximately HK$66,885,000.

The chart below summarises the Group's performance for the year ended 31 December 2011. For a clear understanding of the Group's performance presented in accordance with the GAAP, a column that presents the Non-GAAP results is also included in this chart and details the actual gain on the deemed disposal of partial interests in the new media and the outdoor media.

	Year ended 31 December		
	2011 Non-GAAP presentation HK$'000	2011 HK$'000	2010 HK$'000
Television broadcasting	2,072,307	2,072,307	1,679,183
New media	1,113,711	1,113,711	560,456
Outdoor media	386,559	386,559	268,210
Other businesses	66,868	66,868	57,541
Group's total revenue	3,639,445	3,639,445	2,565,390
Operating costs	(2,727,096)	(2,727,096)	(1,842,434)
Profit from operations	912,349	912,349	722,956
Non-cash fair value loss and interest accretion of Preferred Shares	(964,713)	(964,713)	(210,664)
Non-GAAP gain on deemed disposal of new media	1,563,711	–	–
Non-GAAP net gain on acquisition and deemed disposal of outdoor media	67,560	–	–
Fair value gain on an investment properties under construction	127,488	127,488	21,979
Other income, net	84,664	84,664	20,439
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	1,791,059	159,788	554,710
Share of results of jointly controlled entities and an associate	(3,791)	(3,791)	(1,796)
Income tax expense	(229,460)	(229,460)	(108,490)
Profit/(loss) for the year	1,557,808	(73,463)	444,424
Non-controlling interests	6,578	6,578	(22,602)
Profit/(loss) attributable to owners of the Company	1,564,386	(66,885)	421,822
Basic earnings/(losses) per share, Hong Kong cents	31.34	(1.34)	8.46

Business Overview and Prospects

During the 2011 financial year the Phoenix Group has achieved a series of major successes in a wide range of areas. The increases in revenue, operating profit and equity during this period were extremely positive, especially in view of the fact that in the previous year it expanded at an exceptional rate. The Group's capacity to sustain this level of exceptional growth over several successive years underscores that the Group's fundamental business model is both balanced and forward-looking.

The income of the Group's core television business has continued to grow at an impressive rate, but the other areas in which the Group has developed substantial business operations, namely the new media and the outdoor media businesses, have also generated extremely healthy returns. This provides strong evidence that the Group's understanding of the changing economic environment, and the rapid expansion of the internet and the growing importance of public advertising, has enabled it to pursue a strategy that has developed the scope of its business activities in an extremely effective way.

Besides securing financial benefits from entering into the internet and outdoor media businesses, the Group also launched a new television broadcasting venture, Phoenix Hong Kong Channel, which provides television programming in Cantonese to Hong Kong as well as the overseas Cantonese-speaking audiences. This channel began broadcasting on 28 March 2011. During 2011, Phoenix also made the final preparations for launching the Phoenix U Radio, which will expand Phoenix's presence into the world of digital radio broadcasting after it began operating on 18 January 2012. The combined effect of the Hong Kong Channel and Phoenix U Radio will be to reinforce the Phoenix brand name and thus stimulate the further expansion of Phoenix's world-wide audience.

The year 2011 also marked the fifteenth anniversary of the founding of Phoenix Satellite Television, and this event was celebrated on 31 March with a major event in the Great Hall of the People in Beijing. The highlight of this event was an award ceremony that recognised the contribution that a wide range of foreign individuals and agencies made to Phoenix over the previous fifteen years. Among those to receive awards were Dr. John Chipman, the chairman of the International Institute for Strategic Studies, Ms. Julia Morley, the head of the Miss World Organization, Dr. Richard Bush, the head of the Center for North Asian Policy Studies at the Brookings Institution, Mr. Bruce Paisner, the chairman of the International Academy of Television Arts and Sciences and senior media executives from the Russia, Japan, Palestine, Malaysia, and the D.P.R.K. The awards ceremony was followed by a concert that featured a series of famous entertainers and singers, and provided a gala climax to the celebration of Phoenix Satellite Television's development over fifteen years from a one-channel broadcaster into a multi-media organisation with a global outreach based on working relationships with a wide range of international players, from well-known intellectuals through to media organisations.

For the year 2011, Phoenix still accomplished overwhelmingly outstanding performance in news reporting which aroused widespread recognition. For events like the violent political uprisings in Egypt, Tunisia, Libya and Syria. Phoenix reporters have covered these events in great detail, and consequently Phoenix has been able to provide the Chinese-speaking world with first hand reporting on developments across the Middle East. A sizeable group of Phoenix reporters was detained in the Rixos Hotel in Tripoli along with many other international news teams during the last days of the Gaddafi regime, but they were released without coming to any harm.

Phoenix also provided detailed coverage of regional events, including the election campaigning in Taiwan in the lead-up to the Presidential elections in January 2012, and the events in North Korea following the unexpected death of Kim Jong-il, and the appointment of his son, Kim Jong-un, as the new leader of North Korea.

The Group's successes over the last twelve month period, from the successful IPO of the new media business through to the comprehensive coverage of breaking international political and economic developments, confirms that Phoenix is well placed to continue to perform at a very high level.

LIU Changle
Chairman

Hong Kong, 15 March 2012

A Global Media Organisation

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 First Media, Skynindo and PT Mega Media in Indonesia.

Thailand

Phoenix is carried by True Visions.

Philippines

Phoenix is carried by SKY Cable.

Japan

Phoenix is carried by Daifu 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
- Phoenix InfoNews Channel
- Phoenix NA Chinese Channel
- Phoenix CNE Channel
- Phoenix Movies Channel
- Phoenix Website
- Phoenix Weekly

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, 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 developments in the Greater China region and the world at large. During the 2011 Phoenix reporting covered many key international events, including the earthquake and tsunami in Japan and the subsequent crisis at the Fukushima nuclear plant, the demonstrations in Egypt that led to the downfall of the Mubarak regime and the emergence of a much less stable government, the subsequent uprisings in Tunisia and Libya, which resulted in the replacement of the Tunisian President and the overthrow and death of the long-time Libyan leader Colonel Ghaddafi, the violent clashes in Syria between anti-Assad protesters and government forces, the financial crisis in Greece and other member states of the European community, the early stages of the forthcoming American Presidential campaign, and the aftermath of the death of Kim Jong-il, and the succession of his son, Kim Jong-un.


PRESS

A Global Team

The Mainland

Li Hui

Chen Luyu

Dou Wentao

Olivia Xu

Ma Bin

Wang Ruolin

Yang Juan

Chen Xiaonan

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 an Fujian, as well as from major cities like Beijing, Shanghai and Guangzhou.

Zhang Weina

Bai Yanqin

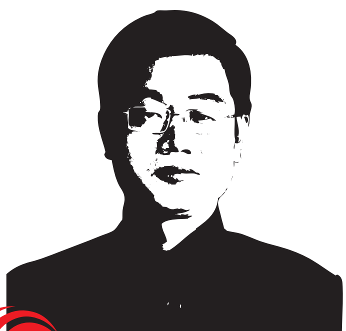
Dong Jiayao

Shen Xing

Ren Ren

Liang Yin

Yang Shu



Wang Luxiang

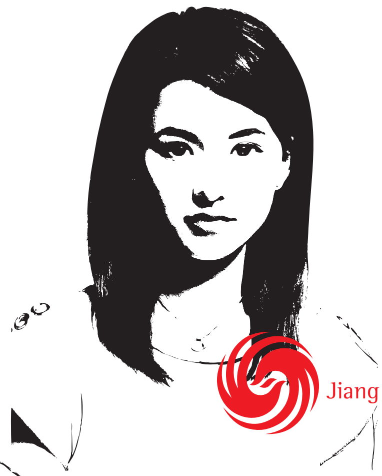
Yuchi Linjia

A Global Team

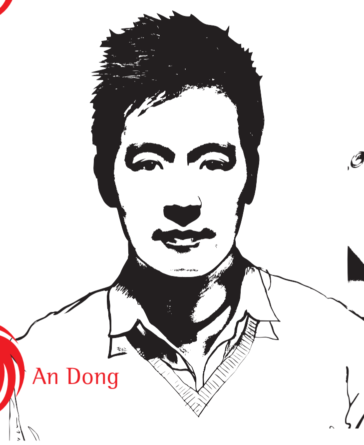
The Mainland

Lu Chen

Yang Shuang



Jiang Nan



An Dong

Rachel Zhao

Huang Cheng Zi

A Global Team

Taiwan

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

Tiger Hu

Avon Hsieh

Ivy Chu

Shannon Liu

Coco Chen

Jason Chien

Chiang Shengyang

Shih Chiping

Sally Wu

Vie Tseng

A Global Team

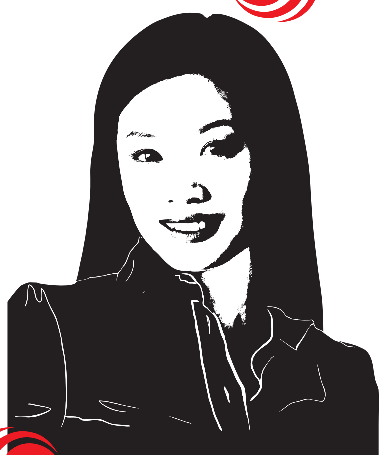
Hong Kong and rest of the World

Anthony Yuen

Leung Mantao

Angela Chow

Zhu Wenhui



Zeng Zimo

Qiu Zhenhai

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 of 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.

Tang Ben

Ada Lau

Lawrence Ho

Du Ping

Ma Ding Shing

Zheng Hao

A Global Team

Hong Kong and rest of the World

Jonathan Sa

Michelle Lo

Ngai Yee Shan

Law Chen Pang


Wendy Tseng
Sammy Chin
Ma Ka Fai
Vienna Cheuk
Lily Siu
Cheng Kai Nam

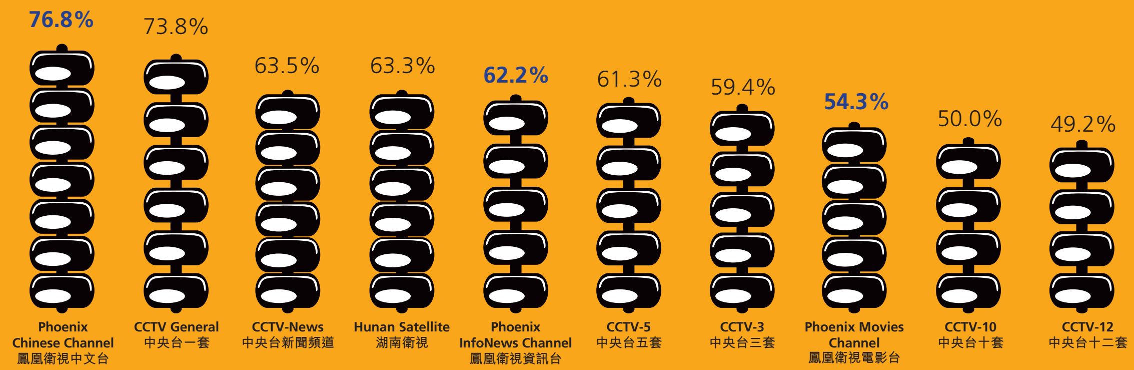
The Chinese Gateway

According to the 2011 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 positions in the Audience Satisfaction Index. Since 2004, this is the sixteenth time in which Phoenix Chinese Channel has ranked at the top of the Audience Satisfaction chart.

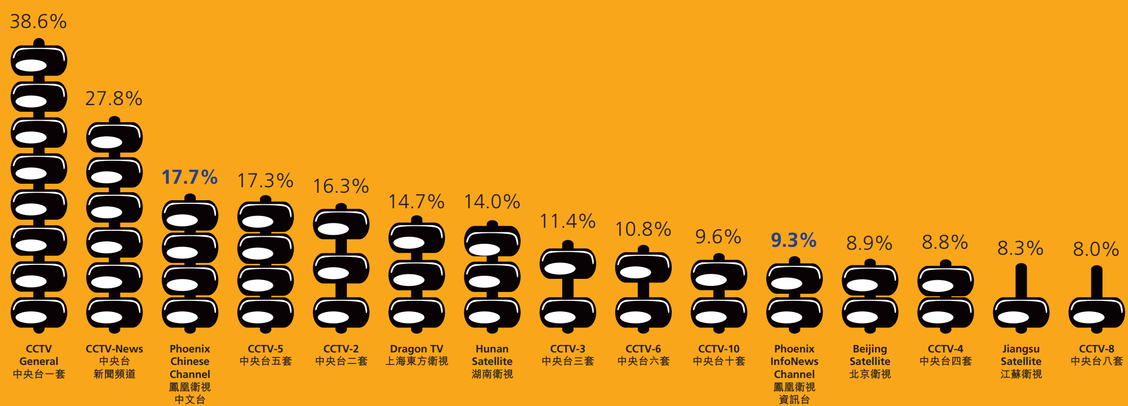
Phoenix Chinese Channel and Phoenix InfoNews Channel achieve a very high level of audience attention in offices. This high level of attention shows that Phoenix Satellite Television has a clear position among office staff, and also demonstrates that the information and news content of Phoenix Satellite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

In 2011, Phoenix Chinese Channel's daily viewing among business executives saw 1.1% year-on-year growth, and maintained at No.3 nationwide channel. Phoenix InfoNews Channel's daily viewing among business executives rose 12.6% when comparing to the previous year. These figures clearly demonstrate the extensive influence that Phoenix Satellite Television enjoys among Chinese Business Executives.

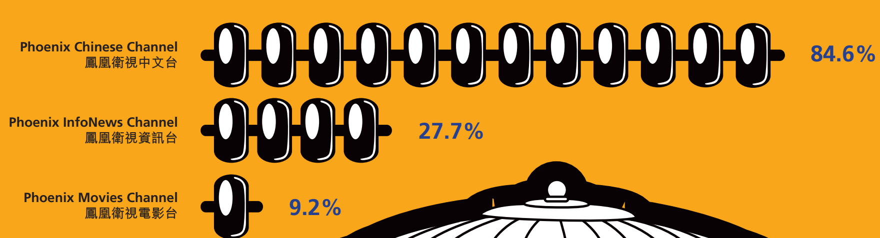
Audience Satisfaction



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)
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 609
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
China Merchant Bank

Website Address

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

Stock Code

02008

Management Discussion and Analysis

Management Discussion and Analysis

Comments on Segmental Information

	Year ended 31 December			
	2011		2010	
	Revenue HK$'000	Segment result HK$'000	Revenue HK$'000	Segment result HK$'000
Television broadcasting	2,072,307	1,026,351	1,679,183	837,781
New media	1,113,711	(818,111)*	560,456	(125,776)*
Outdoor media	386,559	85,177	268,210	55,585
Real estate	–	118,662	–	14,937
Other businesses	66,868	7,186	57,541	5,599
Group's total revenue and segment results	3,639,445	419,265	2,565,390	788,126
Unallocated income		35,565		12,103
Unallocated expenses		(295,042)		(245,519)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		159,788		554,710

* The segmental loss of new media is a consequence of the deduction of interest accretion and changes in fair value of the preference share liability of approximately HK$964,713,000 (year ended 31 December 2010: HK$210,664,000).

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 56.9% of the Group's total revenue for the year ended 31 December 2011, increased by 23.4% to approximately HK$2,072,307,000 (year ended 31 December 2010: HK$1,679,183,000). The segmental result for television broadcasting recorded a profit of approximately HK$1,026,351,000 for the year ended 31 December 2011 (year ended 31 December 2010: HK$837,781,000).

Phoenix Chinese Channel and Phoenix InfoNews Channel accounted for 52.1% of the Group's total revenue for the year ended 31 December 2011 and showed an increase of 23.2% to approximately HK$1,896,099,000 (year ended 31 December 2010: HK$1,539,246,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 25.9% as compared to the same period last year to approximately HK$176,208,000 (year ended 31 December 2010: HK$139,937,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contributed to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year ended 31 December 2011 increased to HK$1,113,711,000 (year ended 31 December 2010: HK$560,456,000). The segmental loss of new media after deduction of interest accretion and changes in fair value of the preference share liability was HK$818,111,000 (year ended 31 December 2010: HK$125,776,000). The profit from operations, which represents profit before tax, interest expense and changes in fair value of preference share liability, of the new media increased to HK$146,602,000 (year ended 31 December 2010: HK$84,888,000).

The revenue of outdoor media business increased to approximately HK$386,559,000 (year ended 31 December 2010: HK$268,210,000). The segmental profit of outdoor media business was approximately HK$85,177,000 (year ended 31 December 2010: HK$55,585,000) after deduction of share based payment of approximately HK$25,714,000 (year ended 31 December 2010: Nil).

The segmental result for real estate included the fair value gain of approximately HK$127,488,000 (year ended 31 December 2010: HK$21,979,000) which was recognised for the investment property under construction in Beijing.

Please refer to note 5 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.

Dividends

Because of the substantial growth in the Company's equity as a result of the listing of PNM and the gain derived from PMM Beijing and the fact that liquidity and financial resources of the Group remains solid, the Board of Directors has distributed a special dividend of 3.8 Hong Kong cents per share.

After considering the sustainable profitability of the Group's core television broadcasting business, the Directors recommend the payment of a final dividend of 4.2 Hong Kong cents per ordinary share, representing an increase of 27.3% as compared to the final dividend for 2010 of 3.3 Hong Kong cents, totaling approximately HK$209,705,000 to be payable to shareholders whose names appear on the register of members of the Company on 15 June 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 25 June 2012.

Annual General Meeting

The Annual General Meeting ("AGM") 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, 8 June 2012 at 3:00 p.m.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 4 June 2012 to Friday, 8 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, 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, 1 June 2012.

The register of members of the Company will be also closed from Thursday, 14 June 2012 to Friday, 15 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), 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 Wednesday, 13 June 2012.

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Deemed Disposal of Outdoor Media

On 29 May 2011, the controlling shareholders of Regal Fame Investments Limited, three People's Republic of China domestic investors, 27 employees of various members of the Phoenix Metropolis Media Holdings Limited and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited ("PMM Communication") entered into a capital increase agreement (the "Capital Increase Agreement") with Phoenix Metropolis Media Technology Co., Ltd. ("PMM Beijing"), formerly known as Phoenix Metropolis Media (Beijing) Company Limited. Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately HK$48,000,000 to RMB140,000,000 and the Company's indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%. Notwithstanding that the Group owns less than half of the equity interest in PMM Beijing subsequent to the capital increase, the Group retains control over PMM Beijing as it has the ability to direct the relevant activities of PMM Beijing i.e. the activities that significantly affect PMM Beijing. The reduction of the Company's indirect interest in PMM Beijing constituted a deemed disposal of its partial interest in PMM Beijing by the Company. Full details and explanations are given in note 40(b) to the consolidated financial statements.

Deemed Disposal of New Media

On 12 May 2011, Phoenix New Media Limited ("PNM") was listed on the New York Stock Exchange ("NYSE") in the US by initial public offering of American depositary shares ("ADS(s)") comprising 11,500,000 ADSs (representing 92,000,000 new Class A Shares) by PNM and 1,267,500 ADSs (representing 10,140,000 existing Class A Shares) by Morningside China TMT Fund I, L.P., Intel Capital Corporation and Bertelsmann Asia Investments AG (the "Selling Shareholders") before the exercise of the over-allotment option and following the exercise of the over-allotment option, an aggregate of 13,415,125 ADSs (representing 107,321,000 new Class A Shares) was issued and sold by PNM, and 1,267,500 ADSs (representing 10,140,000 existing Class A Shares) was sold by the Selling Shareholders. As all convertible Series A Preferred Shares ("Preferred Shares") of PNM were converted at the time of listing, there will not be any non-cash fair value gain/loss and interest accretion in the future. According to the GAAP, these constituted a deemed disposal of interests in subsidiaries (Group's effective interest reduced to 51.2% as a result of the spin-off) and PNM remains a non-wholly owned subsidiary of the Company and the financial results of PNM continue to be consolidated into the financial statements of the Group. Full details and explanations are given in note 40(a) to the consolidated financial statements.

Save as disclosed above, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2011.

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2011 remained solid as recurring cash flows from the Group's businesses continued to remain steady and strong. As at 31 December 2011, the Group had cash and cash deposits totaling about HK$2,624,482,000 (as at 31 December 2010: HK$1,425,782,000), including over HK$1,000,000,000 net proceeds raised from separate listing of PNM, which will be used for capital expenditure and business expansions. The aggregate outstanding borrowings of the Group were approximately HK$480,117,000 (as at 31 December 2010: HK$664,478,000), representing amounts due to related companies which were unsecured and non-interest bearing and secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. The decrease in the aggregate outstanding borrowings was due to the conversion of Preferred Shares issued by PNM at the time of its separate listing on NYSE.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 36.6% as at 31 December 2011 (as at 31 December 2010: 62.0%). As a result of the spin-off of PNM, the net cash and cash equivalents balance after deduction of the total liabilities was HK$239,540,000. The net debt to equity ratio, based on total liabilities less cash and cash equivalents to equity attributable to owners of the Company as at 31 December 2010 was 2.5%.

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 2011, deposits of approximately HK$3,124,000 (as at 31 December 2010: HK$3,146,000) 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 value of approximately HK$117,000,000, HK$203,000,000 and HK$676,000,000 (as at 31 December 2010: HK$115,000,000, HK$92,000,000 and HK$371,000,000) recorded in lease premium for land, construction in progress and investment properties 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 did not have any other charges on its assets as at 31 December 2011 and 31 December 2010.

Capital Structure

During the year ended 31 December 2011, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2011, the Group's operations were mainly financed by owners' equity and bank borrowings and banking facilities.

Staff

As at 31 December 2011, the Group employed 2,529 full-time staff (31 December 2010: 1,897) 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 increased to approximately HK$865,439,000 (year ended 31 December 2010: HK$553,965,000).

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 2011, the Group invested in listed security investments with an estimated fair market value of approximately HK$18,011,000 (as at 31 December 2010: HK$24,330,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2011.

Future Plans for Material Investments and Expected Source of Funding

The Group is currently considering a possible spin-off and separate listing of PMM Beijing, a subsidiary engaged in the outdoor media business in the People's Republic of China. For details, please refer to the announcement published on 1 November 2011.

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 2011, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

Contingent Liabilities

The Group is in negotiation with a music royalties collecting society regarding the payment of certain royalties. The Group believes that the likelihood of a material outflow in settlement of this royalties issue may not be probable.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2011 and 31 December 2010.

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.

Use of Non-GAAP Financial Measures

To supplement the consolidated financial statements presented in Hong Kong Financial Reporting Standards, the Group uses Non-GAAP profit attributable to owners of the Company by reflecting the gain on deemed disposal of partial interests in the new media and the outdoor media in the consolidated income statement instead of in equity. The Group believes that inclusion of the gain in the consolidated income statement adds clarity and enhances the overall understanding of the Group's financial performance. Non-GAAP financial measures are not expressly permitted under Hong Kong Financial Reporting Standards.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LIU Changle, aged 60, 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 transnational 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. 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. In 2011, Mr. LIU was appointed as an independent non-executive director of China Southern Airlines Company Limited.

Directors (Continued)

Executive Directors (Continued)

Mr. CHUI Keung, aged 60, 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 63, 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. Currently, he is also the PhD supervisor in Communication University of China (formerly known as Beijing Broadcasting Institute).

Directors (Continued)

Non-executive Directors

Mr. SHA Yuejia, aged 54, 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, Director of China Mobile Communication Co., Ltd, non-executive director of Shanghai Pudong Development Bank Co., Ltd. and Chairman of Union Mobile Pay Limited. 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 nearly 30 years of experience in the telecommunications industry.

Mr. GAO Nianshu, aged 48, 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 41, 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 free to air and pay television, print and related digital assets. He is responsible for finance, business development, operational changes and joint ventures. News Corporation is the ultimate holding company of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Limited), a substantial shareholder of the Company. He is a supervisory board member of Sky Deutschland AG, a company listed on Frankfurt Stock Exchange and a board member of Tata Sky, an Indian Direct-to-Home platform and a board member of Fox Turkey, a Turkish free to air TV channel.

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.

Directors (Continued)

Non-executive Directors (Continued)

Mr. CHEUNG Chun On, Daniel, aged 52, 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 Star Entertainment Holdings Limited (formerly known as 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 49, 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.

Independent Non-executive Directors

Dr. LO Ka Shui, aged 65, 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, the Chairman of the Chamber of Hong Kong Listed Companies and a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority. 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.

Directors (Continued)

Independent Non-executive Directors (Continued)

Mr. LEUNG Hok Lim, aged 76, 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 61, 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 and Company (Asia) 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.

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.

Directors (Continued)

Alternate Directors

Dr. GAO Jack Qunyao, aged 53, 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 senior vice president of News Corporation and chief executive officer of News Corporation China Investment. 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 44, 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 52, 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 56, 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 Company has an in-house audit function to assist the board (the "Board") of directors of the Company in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control process. The Board also monitored the progress on corporate governance practices of the Company throughout the year under review. The following summarises 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 2011, 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 (the "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.

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 2011.

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 this 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 four Board meetings held in the financial year ended 31 December 2011.

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)	3/4
Mr. CHUI Keung	4/4
Mr. WANG Ji Yan	3/4
Non-executive Directors	
Mr. GAO Nianshu	3/4
Mr. SHA Yuejia	3/4
Mr. GONG Jianzhong	0/4
Mr. Jan KOEPPEN	1/4
Mr. CHEUNG Chun On, Daniel	4/4
Independent Non-executive Directors	
Dr. LO Ka Shui	4/4
Mr. LEUNG Hok Lim	4/4
Mr. Thaddeus Thomas BECZAK	3/4
Alternate Director	
Dr. GAO Jack Qunyao (alternate to CHEUNG Chun On, Daniel)	0/0
Ms. Ella Betsy WONG (alternate to Jan KOEPPEN)	2/2

During regular meetings held on 8 March, 26 May, 19 August and 17 November of year 2011 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.

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 two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

The audit committee held two meetings in 2011. 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 (resigned on 14 March 2011)	1/1
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. CHEUNG Chun On, Daniel	2/2

The audit committee reviewed the Group's annual results for the year ended 31 December 2011 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 2011, the remuneration committee recommended to the Board the bonus payments for year 2011 and increment in salary and housing allowance (if any) for year 2012 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 an internal audit department ("Internal Audit") in place to provide an independent and objective appraisal and assurance in areas of governance, risk management and control processes for the Group.

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 the identified control failings and weakness, among which the major audit issues would be timely escalated to senior management and the audit committee for assessment and rectifications.

In 2011, 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 2011, 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.

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 2011 HK$	31 December 2010 HK$
Audit Service	8,667,000	3,224,000
Audit-related Service	6,622,000	–
Non-audit Service	140,000	20,000
Tax Service	345,000	138,000
Total	15,774,000	3,382,000

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 the Company to the investors and potential investors through the Company's 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's 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

15 March 2012

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

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

Phoenix Satellite Television Holdings Limited
鳳凰衛視控股有限公司
(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
Stock Code 股份代號: 02008

What a Billion Show

Annual Report 年報 2011

Content

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 (collectively referred to as the "Group") for the year ended 31 December 2011.

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 83.

The Directors recommend the payment of a final dividend of 4.2 Hong Kong cents per ordinary share, totaling approximately HK$209,705,000 to be payable to shareholders whose names appear on the register of members of the Company on 15 June 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting ("AGM"), the final dividend will be payable on or around 25 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 4 June 2012 to Friday, 8 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, 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, 1 June 2012.

The register of members of the Company will be also closed from Thursday, 14 June 2012 to Friday, 15 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), 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 Wednesday, 13 June 2012.

Reserves

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

Donations

Charitable donations made by the Group during the year amounted to HK$38,000 (2010: HK$70,000).

Property, Plant and Equipment

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

Investment Properties under Construction

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

Share Capital and Share Options

Details of the movements 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 2011, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$974,234,000 (2010: HK$367,816,000).

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 162.

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

(1) 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 9.88% of the issued share capital as at the date of this report.

The maximum entitlement of each participant under the scheme

Unless approved by the shareholders of the Company ("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.

Share Option Schemes (Continued)

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

(1) Summary of Post-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

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 daily quotations sheets from The Stock Exchange of Hong Kong Limited ("Stock Exchange") 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.

Share Option Schemes (Continued)

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

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

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 2011	Lapsed during the year	Exercised during the year	Balance as at 31 December 2011
Nil	2001.02.15	2001.02.15 to 2005.02.14	2002.02.15 to 2011.02.14	1.99	500,000	(500,000)	–	–
Nil	2001.08.10	2001.08.10 to 2005.08.09	2002.08.10 to 2011.08.09	1.13	3,800,000	(1,350,000)	(2,450,000)	–
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
20 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	9,044,500	(66,500)	(2,508,000)	6,470,000
Total: 21 employees					13,944,500	(1,916,500)	(4,958,000)	7,070,000

During the year ended 31 December 2011, 4,958,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average market price was HK$3.19.

During the year ended 31 December 2011, 1,916,500 options granted to 6 employees lapsed when they 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 2011, 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.

Share Option Schemes (Continued)

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

(2) 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 9.92% 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 are 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 share of the Company in issue.

Share Option Schemes (Continued)

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

(2) 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'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'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)

(2) 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 of the Company were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of share options: Balance as at 1 January 2011	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2011
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	5,044,000	–	–	(996,000)	4,048,000
3 Executive Directors									
LIU Changle	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	–	4,900,000	–	–	4,900,000
CHUI Keung	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	–	3,900,000	–	–	3,900,000
WANG Ji Yan	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	–	3,900,000	–	–	3,900,000
574 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	–	92,120,000	(2,120,000)	–	90,000,000
6 employees	2011.06.28	2011.06.28 to 2015.06.27	2012.06.28 to 2021.06.27	3.06	–	2,790,000	–	–	2,790,000
					5,044,000	107,610,000	(2,120,000)	(996,000)	109,538,000

Notes:

1. The fair value of options granted on 9 March 2011 and 28 June 2011 determined using the Black-Scholes model were HK$114,639,000 and HK$3,208,000 respectively. Total expenses recognised in the consolidated income statement for these share options granted to employees amounted to approximately HK$47,875,000 for the year ended 31 December 2011.

2. The following key assumptions were used to calculate the fair value of share options granted:

	March 2011	June 2011
Closing share price at grant date (HK$)	2.92	3.06
Exercise price per share (HK$)	2.92	3.06
Expected life of options (years)	5.5–7	5.5–7
Expected volatility (%)	38.82–41.26	39.52–43.22
Annual risk-free interest rate (%)	2.018–2.365	1.32–1.7

During the year ended 31 December 2011, 996,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average market price was HK$4.33. Save as disclosed above, no options was granted, exercised, lapsed or cancelled during the year. 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 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.

Share Option Schemes (Continued)

(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.

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 an NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

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

(i) where the shares of PHOENIXi are listed on any stock exchange, the Fair Market Value shall be no less than the higher of (a) 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.

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.

During the year ended 31 December 2011, no options had been granted under the PHOENIXi Plan. PHOENIXi completed its liquidation process on 21 December 2011.

Share Option Schemes (Continued)

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

(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.

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.

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

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 2011, no 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 2011, 3,445,623 options granted to 39 employees were exercised at US$0.03215 per share. At the date before the options were exercised, the weighted average market price was US$0.73.

During the year ended 31 December 2011, 19,434,486 options granted to 56 employees lapsed and cancelled.

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

					Number of share options			
Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Balance as at 31 December 2011
Liu Shuang (Note)	2010.01.08	2010.09.15-2018.05.25	$0.03215	2,178,000	–	(2,178,000)	–	–
Li Ya (Note)	2009.09.15	2010.09.15-2018.05.25	$0.03215	2,117,500	–	(2,117,500)	–	–
Liu Kexin (Note)	2010.01.08	2010.09.15-2018.05.25	$0.03215	825,000	–	(825,000)	–	–
Other staff of Fenghuang On-line	2008.07.04	2008.07.04-2018.05.25	$0.03215	13,837,500	–	(3,025)	(2,477,500)	11,356,975
	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	–	(375)	–	17,625
	2008.07.04	2008.08.28-2018.05.25	$0.03215	3,375	–	–	–	3,375
	2008.07.04	2008.09.03-2018.05.25	$0.03215	18,400	–	(3,400)	–	15,000
	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	450,000	–	(450,000)	–	–
	2008.07.04	2008.09.13-2018.05.25	$0.03215	3,375	–	–	–	3,375
	2008.07.04	2008.09.17-2018.05.25	$0.03215	39,000	–	–	–	39,000
	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	–	(1,500)	–	4,500
	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	12,750	–	(375)	–	12,375
	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)	–

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)

					Number of share options			
Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Balance as at 31 December 2011
Other staff of Fuanghuang On-line	2008.07.04	2008.11.19-2018.05.25	$0.03215	32,000	–	(2,000)	–	30,000
	2008.07.04	2008.12.03-2018.05.25	$0.03215	62,000	–	(40,000)	–	22,000
	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	12,000	–	–	–	12,000
	2008.07.04	2008.12.24-2018.05.25	$0.03215	3,750	–	–	–	3,750
	2008.07.04	2008.12.26-2018.05.25	$0.03215	16,687	–	–	–	16,687
	2008.07.04	2008.12.29-2018.05.25	$0.03215	150,000	–	–	–	150,000
	2008.07.04	2009.01.02-2018.05.25	$0.03215	100,000	–	(12,500)	–	87,500
	2008.07.04	2009.01.15-2018.05.25	$0.03215	620,000	–	(5,000)	(175,496)	439,504
	2008.07.04	2009.02.14-2018.05.25	$0.03215	206,250	–	–	(112,000)	94,250
	2008.07.04	2009.02.15-2018.05.25	$0.03215	24,000	–	(4,500)	–	19,500
	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	9,375	–	–	–	9,375
	2008.07.04	2009.02.28-2018.05.25	$0.03215	3,000	–	(375)	–	2,625
	2008.07.04	2009.03.03-2018.05.25	$0.03215	3,375	–	–	–	3,375
	2008.07.04	2009.03.10-2018.05.25	$0.03215	48,493	–	(750)	–	47,743
	2008.07.04	2009.03.17-2018.05.25	$0.03215	15,600	–	(3,375)	–	12,225
	2008.07.04	2009.03.19-2018.05.25	$0.03215	32,000	–	(4,000)	–	28,000
	2008.07.04	2009.03.21-2018.05.25	$0.03215	15,000	–	–	(2,624)	12,376
	2008.07.04	2009.03.24-2018.05.25	$0.03215	23,000	–	(375)	–	22,625
	2008.07.04	2009.03.25-2018.05.25	$0.03215	20,000	–	(6,250)	–	13,750
	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	450	–	–	–	450
	2008.07.04	2009.04.02-2018.05.25	$0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.07-2018.05.25	$0.03215	6,750	–	–	–	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	–	(1,200)	–	450
	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	–	(1,125)	–	4,875
	2008.07.04	2009.04.28-2018.05.25	$0.03215	6,000	–	–	–	6,000
	2008.07.04	2009.05.04-2018.05.25	$0.03215	11,000	–	(3,438)	–	7,562
	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	22,688	–	(1,125)	–	21,563
	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	405,587	–	(50,000)	(7,600)	347,987
	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	–	(12,000)	(80,800)	55,200

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)

Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US$)	Balance as at 1 January 2011	Number of share options: Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Balance as at 31 December 2011
Other staff of Fenghuang On-line	2009.07.31	2010.01.04-2018.05.25	$0.03215	781,250	–	–	–	781,250
	2009.07.31	2010.01.12-2018.05.25	$0.03215	145,800	–	(145,800)	–	–
	2009.07.31	2010.02.09-2018.05.25	$0.03215	900,000	–	(900,000)	–	–
	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	100,000	–	–	–	100,000
	2009.07.31	2010.03.06-2018.05.25	$0.03215	145,800	–	(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	1,928,500	–	(1,912,500)	–	16,000
	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	–	(35,438)	(59,062)	–
	2009.07.31	2010.04.07-2018.05.25	$0.03215	14,000	–	(6,125)	(7,875)	–
	2009.07.31	2010.04.27-2018.05.25	$0.03215	14,000	–	(8,750)	–	5,250
	2009.07.31	2010.05.08-2018.05.25	$0.03215	70,000	–	(19,688)	–	50,312
	2009.07.31	2010.05.18-2018.05.25	$0.03215	100,625	–	–	–	100,625
	2009.07.31	2010.05.25-2018.05.25	$0.03215	35,000	–	(15,313)	–	19,687
	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	–	(15,000)	–	9,000
	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
	2009.09.15	2010.09.15-2018.05.25	$0.03215	4,036,400	–	(1,696,475)	(270,825)	2,069,100
	2010.01.08	2011.01.08-2018.05.25	$0.03215	189,900	–	(53,438)	(32,062)	104,400
	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	3,100	–	(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	1,300,350	–	(1,274,350)	–	26,000
	2010.07.01	2010.10.09-2018.05.25	$0.03215	10,000	–	–	(5,000)	5,000
	2010.07.01	2011.01.18-2018.05.25	$0.03215	240,925	–	(135,521)	(105,404)	–
	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	–	(1,800,000)	–	300,000
	2010.07.01	2011.06.07-2018.05.25	$0.03215	150,000	–	–	(56,250)	93,750
	2010.07.01	2011.07.01-2018.05.25	$0.03215	6,450,000	–	(5,500,000)	(28,125)	921,875
				42,221,805*	–	(19,434,486)	(3,445,623)*	19,341,696

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

On 15 March 2011, PNM cancelled 18,778,200 unvested share options granted under the PNM Share Option Scheme.

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme

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 17 March 2011, PNM granted 19,008,200 restricted shares and 10,050,958 restricted share units under the PNM March 2011 Scheme to its employees.

The particulars and movement of the restricted share units ("RSU") granted under the PNM March 2011 Scheme during the year are as follows:

			No. of RSU			
Name or category of participants	Date of grant	Commencement of vesting period	Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2009.04.01	5,213,108	(3,238,947)	(148,126)	1,826,035
	2011.03.17	2009.04.02	1,500	(937)	–	563
	2011.03.17	2009.04.03	1,500	(937)	–	563
	2011.03.17	2009.04.07	6,000	(3,000)	(3,000)	–
	2011.03.17	2009.04.10	1,000	(625)	–	375
	2011.03.17	2009.04.13	21,000	(11,875)	(8,750)	375
	2011.03.17	2009.04.17	41,600	(26,000)	–	15,600
	2011.03.17	2009.04.23	10,000	(6,250)	–	3,750
	2011.03.17	2009.04.24	11,500	(7,187)	–	4,313
	2011.03.17	2009.04.27	1,500	(937)	–	563
	2011.03.17	2009.05.04	6,500	(3,875)	(750)	1,875
	2011.03.17	2009.05.07	1,500	(937)	–	563
	2011.03.17	2009.05.08	66,500	(41,375)	(750)	24,375
	2011.03.17	2009.05.11	500	(312)	(188)	–
	2011.03.17	2009.05.15	51,500	(32,187)	(18,750)	563
	2011.03.17	2009.05.21	8,675	(4,337)	(4,338)	–
	2011.03.17	2009.05.22	17,500	(9,500)	(5,750)	2,250
	2011.03.17	2009.06.01	1,000	(625)	–	375
	2011.03.17	2009.06.02	1,000	(625)	(375)	–
	2011.03.17	2009.06.15	500	(312)	–	188
	2011.03.17	2009.06.18	1,500	(750)	(750)	–
	2011.03.17	2009.06.21	8,000	(5,000)	–	3,000
	2011.03.17	2009.06.22	30,000	(18,750)	–	11,250
	2011.03.17	2009.06.26	6,000	(3,750)	–	2,250
	2011.03.17	2009.06.29	10,000	(6,250)	–	3,750
	2011.03.17	2009.07.02	30,500	(15,187)	(5,313)	10,000
	2011.03.17	2009.07.03	1,500	(750)	–	750
	2011.03.17	2009.07.06	21,000	(10,500)	(10,000)	500
	2011.03.17	2009.07.07	1,500	(750)	–	750

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

			No. of RSU			
Name or category of participants	Date of grant	Commencement of vesting period	Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2009.07.08	1,500	(750)	(750)	–
	2011.03.17	2009.07.10	5,000	(2,500)	–	2,500
	2011.03.17	2009.07.16	10,500	(5,250)	–	5,250
	2011.03.17	2009.07.20	500	(250)	–	250
	2011.03.17	2009.07.21	1,500	(750)	–	750
	2011.03.17	2009.07.23	50,000	(25,000)	–	25,000
	2011.03.17	2009.07.24	20,000	(10,000)	–	10,000
	2011.03.17	2009.07.27	500	(250)	–	250
	2011.03.17	2009.07.29	500	(250)	–	250
	2011.03.17	2009.08.03	1,000	(500)	–	500
	2011.03.17	2009.08.07	10,000	(5,000)	–	5,000
	2011.03.17	2009.08.10	1,500	(750)	(250)	500
	2011.03.17	2009.08.12	10,000	(5,000)	–	5,000
	2011.03.17	2009.08.14	3,000	(1,312)	(938)	750
	2011.03.17	2009.08.18	1,000	(375)	(625)	–
	2011.03.17	2009.08.21	1,500	(750)	–	750
	2011.03.17	2009.08.28	1,000	(500)	(500)	–
	2011.03.17	2009.08.31	20,000	(10,000)	–	10,000
	2011.03.17	2009.09.01	500	(250)	–	250
	2011.03.17	2009.09.04	16,000	(8,000)	–	8,000
	2011.03.17	2009.09.07	2,000	(1,000)	–	1,000
	2011.03.17	2009.09.08	50,000	(25,000)	–	25,000
	2011.03.17	2009.09.09	30,000	(15,000)	–	15,000
	2011.03.17	2009.09.18	21,500	(10,750)	–	10,750
	2011.03.17	2009.09.23	50,000	(25,000)	–	25,000
	2011.03.17	2009.10.09	41,500	(20,750)	–	20,750
	2011.03.17	2009.10.12	30,000	(15,000)	–	15,000
	2011.03.17	2009.10.23	100,000	(50,000)	–	50,000
	2011.03.17	2009.10.30	3,500	(1,750)	–	1,750
	2011.03.17	2009.11.02	52,000	(25,875)	(625)	25,500
	2011.03.17	2009.11.04	11,000	(5,500)	–	5,500
	2011.03.17	2009.11.06	5,500	(1,999)	(3,001)	500
	2011.03.17	2009.11.09	1,000	(500)	–	500
	2011.03.17	2009.11.11	10,000	(3,750)	(6,250)	–
	2011.03.17	2009.11.13	3,000	(1,437)	(313)	1,250
	2011.03.17	2009.11.15	500	(250)	–	250
	2011.03.17	2009.11.16	2,000	(812)	(938)	250
	2011.03.17	2009.11.20	5,000	(2,500)	–	2,500
	2011.03.17	2009.11.23	2,500	(1,125)	(625)	750
	2011.03.17	2009.11.24	18,500	(9,187)	(313)	9,000
	2011.03.17	2009.12.04	20,000	(7,500)	(12,500)	–

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

			No. of RSU			
Name or category of participants	Date of grant	Commencement of vesting period	Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2009.12.07	1,000	(500)	–	500
	2011.03.17	2009.12.09	1,000	(500)	–	500
	2011.03.17	2009.12.11	40,000	(17,500)	(12,500)	10,000
	2011.03.17	2009.12.15	2,000	(687)	(1,313)	–
	2011.03.17	2009.12.18	10,000	(3,750)	(6,250)	–
	2011.03.17	2009.12.21	2,500	(1,250)	–	1,250
	2011.03.17	2009.12.28	10,500	(5,250)	–	5,250
	2011.03.17	2009.12.29	120,000	(60,000)	–	60,000
	2011.03.17	2009.12.30	500	(125)	(375)	–
	2011.03.17	2010.01.04	200,000	(75,000)	(31,250)	93,750
	2011.03.17	2010.01.07	50,000	(18,750)	–	31,250
	2011.03.17	2010.01.08	26,500	(9,937)	–	16,563
	2011.03.17	2010.01.12	50,000	(18,750)	(31,250)	–
	2011.03.17	2010.01.15	44,000	(16,499)	(938)	26,563
	2011.03.17	2010.01.18	110,075	(41,278)	(68,172)	625
	2011.03.17	2010.01.20	50,000	(18,750)	–	31,250
	2011.03.17	2010.01.21	2,000	(749)	–	1,251
	2011.03.17	2010.01.22	500	(187)	–	313
	2011.03.17	2010.01.27	10,000	(3,750)	–	6,250
	2011.03.17	2010.02.01	11,500	(4,312)	(938)	6,250
	2011.03.17	2010.02.02	500	(125)	(375)	–
	2011.03.17	2010.02.05	2,500	(937)	–	1,563
	2011.03.17	2010.02.11	1,000	(375)	–	625
	2011.03.17	2010.02.20	3,000	(1,124)	(938)	938
	2011.03.17	2010.02.21	500	(187)	–	313
	2011.03.17	2010.02.24	20,000	(7,500)	–	12,500
	2011.03.17	2010.02.25	2,000	(749)	(313)	938
	2011.03.17	2010.02.26	1,500	(562)	–	938
	2011.03.17	2010.03.01	61,000	(16,625)	(37,500)	6,875
	2011.03.17	2010.03.02	1,000	(375)	–	625
	2011.03.17	2010.03.03	50,000	(18,750)	–	31,250
	2011.03.17	2010.03.05	7,000	(2,500)	(750)	3,750
	2011.03.17	2010.03.08	100,000	(37,500)	–	62,500
	2011.03.17	2010.03.09	1,000	(250)	(750)	–
	2011.03.17	2010.03.10	51,000	(19,000)	(750)	31,250
	2011.03.17	2010.03.12	1,000	(375)	–	625
	2011.03.17	2010.03.15	1,500	(562)	–	938
	2011.03.17	2010.03.16	50,000	(18,750)	(31,250)	–
	2011.03.17	2010.03.18	3,000	(1,124)	–	1,876
	2011.03.17	2010.03.19	10,500	(3,936)	–	6,564
	2011.03.17	2010.03.21	500	(187)	–	313
	2011.03.17	2010.03.22	11,000	(4,125)	(625)	6,250
	2011.03.17	2010.03.23	101,000	(37,875)	(31,250)	31,875

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

			No. of RSU			
Name or category of participants	Date of grant	Commencement of vesting period	Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2010.03.24	1,500	(375)	(1,125)	–
	2011.03.17	2010.03.26	15,500	(5,811)	–	9,689
	2011.03.17	2010.03.29	33,000	(12,374)	(938)	19,688
	2011.03.17	2010.03.30	1,500	(562)	(938)	–
	2011.03.17	2010.04.02	10,000	(2,500)	(7,500)	–
	2011.03.17	2010.04.06	6,000	(2,124)	(750)	3,126
	2011.03.17	2010.04.09	1,500	(375)	(1,125)	–
	2011.03.17	2010.04.12	3,500	(1,124)	(1,125)	1,251
	2011.03.17	2010.04.13	2,500	(812)	(750)	938
	2011.03.17	2010.04.16	15,500	(4,374)	(8,625)	2,501
	2011.03.17	2010.04.19	3,000	(1,062)	(1,313)	625
	2011.03.17	2010.04.21	2,000	(749)	–	1,251
	2011.03.17	2010.04.22	1,500	–	(1,500)	–
	2011.03.17	2010.04.23	10,000	(3,750)	–	6,250
	2011.03.17	2010.04.26	23,500	(8,686)	(750)	14,064
	2011.03.17	2010.04.28	1,500	(562)	–	938
	2011.03.17	2010.04.29	150,000	(56,250)	–	93,750
	2011.03.17	2010.05.04	26,500	(7,998)	(9,750)	8,752
	2011.03.17	2010.05.05	500	(187)	–	313
	2011.03.17	2010.05.10	30,000	(11,250)	–	18,750
	2011.03.17	2010.05.11	13,000	(3,624)	(7,500)	1,876
	2011.03.17	2010.05.12	1,500	–	(1,500)	–
	2011.03.17	2010.05.14	12,500	(4,687)	–	7,813
	2011.03.17	2010.05.17	1,000	(250)	(750)	–
	2011.03.17	2010.05.21	36,500	(13,374)	(1,875)	21,251
	2011.03.17	2010.05.24	53,500	(19,374)	(33,500)	626
	2011.03.17	2010.05.25	2,000	(687)	(375)	938
	2011.03.17	2010.05.26	500	(187)	–	313
	2011.03.17	2010.05.27	1,000	(375)	–	625
	2011.03.17	2010.05.28	31,500	(11,812)	–	19,688
	2011.03.17	2010.06.04	18,000	(2,686)	(11,875)	3,439
	2011.03.17	2010.06.07	1,500	(500)	(375)	625
	2011.03.17	2010.06.09	1,000	(250)	(750)	–
	2011.03.17	2010.06.18	23,500	(8,812)	–	14,688
	2011.03.17	2010.06.21	23,000	(8,371)	(875)	13,754
	2011.03.17	2010.06.25	16,000	(4,750)	(7,500)	3,750
	2011.03.17	2010.06.28	4,500	(1,561)	(750)	2,189
	2011.03.17	2010.07.01	50,000	(12,500)	–	37,500
	2011.03.17	2010.07.02	7,500	(1,375)	(2,000)	4,125
	2011.03.17	2010.07.05	4,000	(1,000)	–	3,000
	2011.03.17	2010.07.06	3,500	(875)	–	2,625

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

			No. of RSU			
Name or category of participants	Date of grant	Commencement of vesting period	Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2010.07.12	8,000	(2,000)	(1,125)	4,875
	2011.03.17	2010.07.13	23,000	(5,750)	(750)	16,500
	2011.03.17	2010.07.15	1,500	(375)	–	1,125
	2011.03.17	2010.07.16	3,500	(875)	(1,500)	1,125
	2011.03.17	2010.07.19	11,500	(2,875)	–	8,625
	2011.03.17	2010.07.20	18,500	(4,250)	(3,375)	10,875
	2011.03.17	2010.07.21	1,000	(250)	–	750
	2011.03.17	2010.07.26	53,000	(13,250)	(37,500)	2,250
	2011.03.17	2010.07.28	1,500	(375)	–	1,125
	2011.03.17	2010.07.30	1,500	(375)	–	1,125
	2011.03.17	2010.08.02	500	(125)	(375)	–
	2011.03.17	2010.08.03	567,000	(139,000)	(12,125)	415,875
	2011.03.17	2010.08.10	13,000	(2,875)	(2,625)	7,500
	2011.03.17	2010.08.11	151,500	(37,875)	–	113,625
	2011.03.17	2010.08.16	1,500	(375)	–	1,125
	2011.03.17	2010.08.17	89,000	(22,000)	(1,750)	65,250
	2011.03.17	2010.08.23	2,500	(625)	–	1,875
	2011.03.17	2010.08.24	17,000	(4,250)	(8,625)	4,125
	2011.03.17	2010.08.25	1,500	–	(1,500)	–
	2011.03.17	2010.08.30	1,500	(375)	–	1,125
	2011.03.17	2010.08.31	13,000	(3,250)	(1,125)	8,625
	2011.03.17	2010.09.01	31,000	(250)	(30,000)	750
	2011.03.17	2010.09.06	50,000	–	(50,000)	–
	2011.03.17	2010.09.07	13,000	(3,250)	–	9,750
	2011.03.17	2010.09.08	2,000	(500)	–	1,500
	2011.03.17	2010.09.09	1,500	(375)	–	1,125
	2011.03.17	2010.09.10	1,500	(375)	–	1,125
	2011.03.17	2010.09.13	5,500	(1,125)	(1,000)	3,375
	2011.03.17	2010.09.14	22,000	(5,500)	–	16,500
	2011.03.17	2010.09.16	2,000	(500)	–	1,500
	2011.03.17	2010.09.20	5,500	(1,375)	–	4,125
	2011.03.17	2010.09.25	1,500	(375)	(1,125)	–
	2011.03.17	2010.09.28	500	(125)	–	375
	2011.03.17	2010.10.08	196,500	(26,000)	(93,625)	76,875
	2011.03.17	2010.10.09	25,000	(6,250)	–	18,750
	2011.03.17	2010.10.11	11,000	(250)	(10,000)	750
	2011.03.17	2010.10.13	1,000	(250)	–	750
	2011.03.17	2010.10.21	2,000	(500)	–	1,500
	2011.03.17	2010.11.21	1,000	(250)	–	750
	2011.03.17	2010.11.22	50,000	(12,500)	–	37,500
	2011.03.17	2010.11.30	150,000	–	(150,000)	–

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2010.12.01	51,000	(12,500)	(1,000)	37,500
	2011.03.17	2010.12.03	500	–	(500)	–
	2011.03.17	2010.12.21	30,000	–	(30,000)	–
	2011.03.17	2011.01.04	100,000	–	–	100,000
	2011.03.17	2011.01.11	100,000	–	–	100,000
	2011.03.17	2011.02.14	60,000	–	–	60,000
	2011.03.17	2011.02.21	10,000	–	–	10,000
	2011.03.17	2011.03.01	90,000	–	–	90,000
Total			10,050,958	(4,756,956)	(1,037,394)	4,256,608

The particulars and movements of restricted shares ("RS") granted under the PNM March 2011 Scheme during the year are as following:

Name or category of participants	Date of grant	Commencement of vesting period	No. of RS Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
LIU Shuang (Note)	2011.03.17	2009.04.01	2,178,000	(1,361,250)	–	816,750
LI Ya (Note)	2011.03.17	2009.04.01	2,117,500	(1,323,437)	–	794,063
Employees	2011.03.17	2009.04.01	7,202,700	(4,501,683)	–	2,701,017
	2011.03.17	2010.02.20	60,000	(22,500)	–	37,500
	2011.03.17	2010.02.21	1,800,000	(675,000)	–	1,125,000
	2011.03.17	2010.10.08	400,000	(100,000)	–	300,000
	2011.03.17	2010.10.25	50,000	(12,500)	–	37,500
	2011.03.17	2010.12.01	4,300,000	(1,075,000)	–	3,225,000
	2011.03.17	2010.12.27	900,000	(225,000)	–	675,000
Total			19,008,200	(9,296,370)	–	9,711,830

Note: LIU Shuang and LI Ya are currently the directors of PNM.

Save as disclosed above, no option was granted to the Directors, chief executive or substantial shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option Scheme or the PNM March 2011 Scheme during the year.

Share Option Schemes (Continued)

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

(4) Capital Increase Agreement

On 29 May 2011, a capital increase agreement ("Capital Increase Agreement") was made between the controlling shareholders of Regal Fame Investments Limited, three People's Republic of China domestic investors, 27 employees (the "Employees") of various members of Phoenix Metropolis Media Holdings Limited and its subsidiaries, Phoenix Metropolis Communication (Beijing) Co., Limited and Phoenix Metropolis Media Technology Co., Ltd. ("PMM Beijing"), formerly known as Phoenix Metropolis Media (Beijing) Company Limited. Pursuant to the Capital Increase Agreement, the Employees subscribed for an aggregate of RMB15,000,000 of registered capital (representing 10.71% of the equity interests) of PMM Beijing at the subscription price of RMB2.53 per RMB1.00 of registered capital. The Employees are restricted from transferring their interests until August 2012.

Details of the registered capital of PMM Beijing subscribed by the Employees are as follows:

Name or category of participants	Subscription price per 1.00 of registered capital (RMB)	Registered capital subscribed (RMB)	% of equity interests in PMM Beijing after completion of the Capital Increase Agreement
26 employees (excluding Liu Keyi)	2.53	12,583,300	8.98%
LIU Keyi (Note)	2.53	2,416,700	1.73%
Total		15,000,000	10.71%

Note: Ms. LIU Keyi is the Vice-president of PMM Beijing and the sister of Mr. LIU Changle, the Chief Executive Officer and Chairman of the Company.

Save as disclosed above, no registered capital of PMM Beijing was subscribed by the Directors, chief executive or substantial shareholders, or their respective associates, of the Company, or to the suppliers of goods or services under the Capital Increase Agreement during the year.

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:

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

Independent Non-executive Directors:

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK

Alternate Directors:

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

In accordance with Article 87(1) of the Company's articles of association, Messrs. GAO Nianshu, GONG Jianzhong and CHEUNG Chun On, Daniel 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

China Southern Airlines Company Limited* *(Independent Non-executive Director)*
Phoenix Research & Development Limited *(Director)*
Phoenix Industrial Development Centre Limited *(Director)*
Phoenix Research Institute Limited *(Director)*
Phoenix Culture Industrial Development Company Limited *(Director)*

CHUI Keung

New appointments

Phoenix Research & Development Limited *(Director)*
Phoenix Industrial Development Centre Limited *(Director)*
Phoenix Research Institute Limited *(Director)*
Phoenix Culture Industrial Development Company Limited *(Director)*

WANG Ji Yan

New appointments

Phoenix Research & Development Limited *(Director)*
Phoenix Culture Industrial Development Company Limited *(Director)*

GONG Jianzhong

Cessation of appointment

Jilin Qifeng Chemical Fiber Co., Ltd* *(Non-executive Director and Vice Chairman)*

Thaddeus Thomas BECZAK

New appointment

Arnold (B.V.I.) Limited *(Director)*

LO Ka Shui

New appointment

Hong Kong Monetary Authority *(Member of the Exchange Fund Advisory Committee)*

Jan KOEPPEN

New appointment

Alliance Yapim Ltd Sirketi (Fox Turkey) *(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 13.51B(1) of the Listing Rules.

Directors' Service Contracts

On 17 November 2009, 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 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

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 Corporate Governance Code.

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 2011, 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) Long position in the shares and underlying shares of the Company

Ordinary shares of the Company

	Number of ordinary shares held				
Name	Personal/ other interests	Corporate interests	Total number of shares	Position	Approximate shareholding percentage
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.19%
LO Ka Shui (Note 3)	9,756,000	–	9,756,000	Long	0.20%

Notes:

1. As at 31 December 2011, the number of the issued shares of the Company was 4,992,985,500.

2. As at 31 December 2011, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.19% of the issued share capital of the Company.

3. As at 31 December 2011, Dr. LO Ka Shui was the beneficial owner of 2,500,000 Shares while 7,256,000 Shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

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

(2) Long position in the shares and underlying shares of an associated corporation of the Company

Phoenix New Media Limited ("PNM")

Name	Number of class A ordinary shares held in PNM: Personal/ other interest	Corporate interest	Total Interest	Position	Approximate shareholding percentage
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.48%
LO Ka Shui	727,800	–	727,800	Long	0.24%

Notes:

1. As at 31 December 2011, the number of the issued Class A ordinary shares of PNM was 306,101,077.

2. PNM is a non-wholly owned subsidiary of the Company.

3. As at 31 December 2011, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 0.48% of the issued class A ordinary shares of PNM.

(3) 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 2011
LIU Changle	2011.03.09	2012.03.09 to 2021.03.08	2.92	4,900,000
CHUI Keung	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000
WANG Ji Yan	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000

Save as disclosed above, so far as the Directors are aware, as at 31 December 2011, 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 2011, 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:

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

Name of substantial shareholders	Number of Shares	Approximate shareholding percentage
Today's Asia Limited (Note 2)	1,854,000,000	37.13%
Extra Step Investments Limited (Note 3)	983,000,000	19.69%
Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.) (Note 4)	871,000,000	17.44%

Notes:

1. As at 31 December 2011, the number of issued shares of the Company was 4,992,985,500.

2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% interests, respectively.

3. 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.

4. Star Entertainment Holdings Limited (formerly known as 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 Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.).

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

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

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage
China Wise International Limited (Note 2)	412,000,000	8.25%

Notes:

1. As at 31 December 2011, the number of issued shares of the Company was 4,992,985,500.

2. 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 Investments Limited. By virtue of the SFO, Central Huijin Investments Limited, Bank of China Limited, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 Shares held by China Wise International Limited.

3. Mr. GONG Jianzhong, non-executive Director of the Company, 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 2011, 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 2011	Year 2010
Programme purchases		
– the largest supplier	**11%**	13%
– five largest suppliers	**38%**	53%
Sales		
– the largest advertising end-customer	**3%**	3%
– five largest advertising end-customers	**8%**	10%

The largest advertising end-customer during the year ended 31 December 2011 is represented by CMCC and its subsidiaries. Details of the transactions between the Group and the CMCC and its subsidiaries are set out in Note 42 to the consolidated financial statements. CMCC through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.69% of the issued share capital of the Company.

Major Suppliers and Customers (Continued)

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 42 to the consolidated financial statements. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Star Entertainment Holdings Limited (formerly known as 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.

Connected Transactions/Continuing Connected Transactions

Certain related party transactions entered by the Group during the year ended 31 December 2011, which also constitute connected transactions/continuing connected transactions under the Listing Rules, are disclosed in Note 42 to the consolidated financial statements. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

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 ("Independent Shareholders") 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 Star Entertainment Holdings Limited (formerly known as 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 2011, the service charges paid/payable to STARL amounted to approximately HK$19,084,000 (2010: HK$19,872,000), 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 2011 to 31 December 2011.

   (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 2011, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$4,470,000 (2010: HK$4,478,000), 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 2011 to 31 December 2011.

   (iii) STARL provides purchase of decoders and viewing cards service to Phoenix HK. For the year ended 31 December 2010 and 2011, there were no payment for purchase of decoders and viewing cards. The annual cap for the period from 1 January 2011 to 31 December 2011 is HK$1,000,000.

Connected Transactions/Continuing Connected Transactions (Continued)
Continuing Connected Transactions (Continued)

2. (a) On 31 December 2010, Phoenix HK, through its PRC advertising agent, Shenzhou Television Company Limited ("Shenzhou") entered into an advertising contract (the "2011 Contract") with CNHK Media Limited ("CNHK Media"), the PRC advertising agent of China Mobile Communications Corporation ("CMCC"), 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 CMCC and its associates ("CMCC Group").

   (b) On 30 December 2011, Phoenix HK, through its PRC advertising agent, Shenzhou entered into an advertising contract (the "2012 Contract") with CNHK Media, the PRC advertising agent of CMCC, 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 2012 to 31 December 2012 for the sum not exceeding RMB50,000,000 (approximately HK$61,265,000) for promoting CMCC Gorup.

   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 19.69% 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 transactions under the 2011 Contract and the 2012 Contract respectively constitute continuing connected transactions for the Company. Pursuant to Rule 14A.34 of the Listing Rules they were subject to the reporting and announcement requirements and were exempted from the Independent Shareholders' approval.

   For the year ended 31 December 2011, the advertising sales to CMCC Group amounted to approximately HK$45,839,000 (2010: HK$42,387,000).

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

   The Group carries on new media business (provision of website portal, value-added telecommunications, promotional and ancillary services) through its indirectly-owned subsidiary, 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 constituted 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/Continuing Connected Transactions (Continued)
Continuing 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 2011 at RMB289,000,000 (HK$332,350,000) (the "2011 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 2011 amounted to approximately RMB141,936,000 (HK$170,463,000) and RMB68,543,000 (HK$82,319,000) respectively, whereas, for the year ended 31 December 2010, approximately RMB116,366,000 (HK$133,438,000) and RMB29,670,000 (HK$34,024,000) respectively.

Connected Transactions/Continuing Connected Transactions (Continued)
Continuing Connected Transactions (Continued)

4. On 14 June 2011, the Company announced that Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited ("PMM Beijing") entered into an outdoor advertising contract ("Outdoor Advertising Contract") with 深圳市中港文化傳播有限責任公司, relating to placing advertisement for and on behalf of CMCC Group on LED Panels in the PRC for the period from 14 June 2011 to 31 March 2012 for the sum of no more than RMB18,000,000 (approximately HK$21,571,200) for promoting CMCC Group. CMCC being the ultimate holding company 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 Outdoor Advertising Contract constitutes a continuing connected transaction for the Company. Pursuant to Rule 14A.34 of the Listing Rules it was subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement.

   For the year ended as 31 December 2011, the advertising sales to CMCC Group amounted to approximately HK$3,845,000 (2010: Nil).

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that:

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

2. the transactions were entered into either on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and

3. the transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 74 to 77 of this report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transactions

5. 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 Star Entertainment Holdings Limited (formally known as 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 2011, the license fees paid/payable to Fox amounted to approximately HK$411,000 (2010: HK$532,000).

Connected Transactions/Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

6. (a) On 12 May 2010, Phoenix HK entered into an 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.

   (b) On 19 November 2010, Phoenix HK entered into an 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.

   (c) On 27 January 2011, Phoenix HK entered into two agreements with Fortune Star Media Limited ("Fortune Star Media") for a total license fee of US$110,500 (approximately HK$858,154) to respectively broadcast (1) 7 films on the Phoenix Chinese Channel from January 2011 and (2) 9 films on the Phoenix Movie Channel from May 2011.

   (d) On 9 June 2011, Phoenix HK entered into an agreement with Fortune Star Media for a license fee of US$77,000 (approximately HK$598,059) to broadcast 11 films on the Phoenix Hong Kong Channel during the period from 15 June 2011 to 1 January 2012.

   (e) On 23 December 2011, Phoenix HK entered into agreements with Fortune Star Media for a license fee of a total sum of US$210,500 (approximately HK$1,635,711) to broadcast 30 films on the Phoenix Chinese Channel, Phoenix Hong Kong Channel and Phoenix Movies Channel during the period from 1 January 2012 to 30 April 2016.

   As Fortune Star and Fortune Star Media are associates of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company, they are connected persons of the Company and the above transactions are connected transactions and were disclosed in the announcements dated 12 May 2010, 19 November 2010, 27 January 2011, 9 June 2011 and 23 December 2011 respectively.

   For the year ended 31 December 2011, the license fees paid/payable to Fortune Star and Fortune Star Media amounted to approximately HK$3,326,000 (2010: HK$1,517,000).

7. (a) On 29 December 2010, Phoenix HK entered into an 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.

   (b) On 23 December 2011, Phoenix HK entered into an agreement with NGC for a license fee of not exceeding US$150,800 (approximately HK$1,171,806) to broadcast 52 blocks of contents from the National Geographic Channel on the Phoenix Chinese Channel for a term of one year commencing from 1 January 2012.

   As NGC is an associate of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company, it is a connected person of the Company and the above transactions constitute connected transactions and were disclosed in the announcements dated 29 December 2010 and 23 December 2011 respectively.

   For the year ended 31 December 2011, the license fee paid/payable to NGC amount to approximately HK$1,056,000 (2010: Nil).

Connected Transactions/Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

8. On 11 April 2011, Mr. Wang Yanjun, Mr. Li Bin (collectively, the "Regal Fame Controlling Shareholders") and Regal Fame Investments Limited ("Regal Fame") entered into a sale and purchase agreement with Phoenix Satellite Television (B.V.I.) Holding Limited ("Phoenix BVI"), a wholly-owned subsidiary of the Company, whereby Regal Fame conditionally agreed to sell its 25% shareholding in Phoenix Metropolis Media Holdings Limited ("Phoenix Metropolis Media") to Phoenix BVI for a consideration of HK$64,250,000 and the Regal Fame Controlling Shareholders agreed to guarantee the due performance of Regal Fame's obligations under the sale and purchase agreement.

   On 11 April 2011, the Regal Fame Controlling Shareholders entered into a capital increase agreement with PMM Beijing, a wholly-owned subsidiary of Phoenix Metropolis Media, whereby the Regal Fame Controlling Shareholders conditionally agreed to subscribe for an aggregate of 25% equity interests in PMM Beijing for an aggregate consideration of HK$64,250,000.

   The sale and purchase agreement and the capital increase agreement formed part of an ongoing restructuring of the Phoenix Metropolis Media and its subsidiaries, which also involved among other things the grouping of various PRC operating subsidiaries of Phoenix Metropolis Media under PMM Beijing.

   As Regal Fame and the Regal Fame Controlling Shareholders are respectively direct and indirect substantial shareholders of Phoenix Metropolis Media and Phoenix Metropolis Media is an indirect subsidiary of the Company, Regal Fame and the Regal Fame Controlling Shareholders are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the sale and purchase agreement and the capital increase agreement constitute connected transactions of the Company under the Listing Rules. As one or more of the percentage ratios applicable to the transactions contemplated under the sale and purchase agreement and the capital increase agreement are more than 1% but less than 5%, such transactions are subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. On 27 July 2011, the Company announced that on 29 May 2011, Regal Fame Controlling Shareholders, three People's Republic of China domestic investors, 27 employees (the "Employees") of various members of the Phoenix Metropolis Media and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited ("PMM Communication") entered into a capital increase agreement (the "Capital Increase Agreement") with PMM Beijing. Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately HK$48,000,000 to RMB140,000,000 and the Company's indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%.

   As among the Employees who subscribed for equity capital in PMM Beijing pursuant to the Capital Increase Agreement, eight of them are directors of one or more members of the Phoenix Metropolis Media and its subsidiaries ("PMM Directors") and one of them was Ms. Liu Keyi ("Ms. Liu"). As the percentage ratios applicable to the subscription of equity capital in PMM Beijing by each of the PMM Directors are all below the de minimis threshold under Rule 14A.31(2) of the Listing Rules, all of their subscriptions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Liu subscribed for RMB2,416,700 (approximately HK$2,896,333) registered capital in PMM Beijing (representing 1.73% of the registered capital in PMM Beijing) for a consideration of RMB6,114,251 (approximately HK$7,327,722). As Ms. Liu was the sister of the Chairman of the Company Mr. Liu Changle, she was a connected person of the Company and her entering into of the Capital Increase Agreement and subscription of equity capital in PMM Beijing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the subscription of equity capital in PMM Beijing by Ms. Liu are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 at 31 December 2011, as defined under Rule 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 41 to 46 of this 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 this report, maintained a public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Subsequent Events

On 20 February 2012, the Group entered into a loan agreement with a bank with principal amount of RMB58,000,000. The loan, which was fully drawn down on 29 February 2012, matures on 19 February 2013 and bears interest at 7.872% annually. The loan is secured by the land in Chaoyang Park together with the development site.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2011 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, 15 March 2012

Independent Auditor's Report

羅兵咸永道

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 83 to 161, which comprise the consolidated and company balance sheets as at 31 December 2011, 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.

pwc

羅兵咸永道

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 2011 and of the Group's loss 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, 20 April 2012

Consolidated Income Statement

For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000 (Note 45)
Revenue	5	**3,639,445**	2,565,390
Operating expenses	7	**(2,273,489)**	(1,527,189)
Selling, general and administrative expenses	7	**(453,607)**	(315,245)
Other (losses)/gains			
Fair value loss on preference share liability – derivative component	37(b)	**(947,100)**	(169,087)
Fair value gain on investment properties under construction	16	**127,488**	21,979
Other gains, net	6	**62,768**	13,032
Finance income/(costs), net			
Interest income		**21,896**	7,407
Interest accretion for preference share liability – host debt	37(b)	**(17,613)**	(41,577)
Share of loss of jointly controlled entities	18	**(4,819)**	(1,794)
Share of profit/(loss) of an associate	19	**1,028**	(2)
Profit before income tax		**155,997**	552,914
Income tax expense	9	**(229,460)**	(108,490)
(Loss)/profit for the year		**(73,463)**	444,424
Attributable to:			
Owners of the Company		**(66,885)**	421,822
Non-controlling interests		**(6,578)**	22,602
		(73,463)	444,424
(Losses)/earnings per share for profit attributable to the owners of the Company during the year			
Basic (losses)/earnings per share, Hong Kong cents	10	**(1.34)**	8.46
Diluted (losses)/earnings per share, Hong Kong cents	10	**(1.34)**	7.83
Dividends and distributions	11	**443,564**	164,572

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	2011 $'000	2010 $'000
(Loss)/profit for the year	**(73,463)**	444,424
Other comprehensive income		
Currency translation differences	**58,572**	19,500
Total comprehensive (loss)/income for the year	**(14,891)**	463,924
Attributable to:		
Owners of the Company	**(35,626)**	441,322
Non-controlling interests	**20,735**	22,602
	(14,891)	463,924

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	13	**23,731**	26,631
Lease premium for land	14	**239,323**	239,300
Property, plant and equipment, net	15	**1,150,440**	904,342
Investment properties under construction	16	**685,391**	371,138
Intangible assets	17	**16,739**	18,473
Investments in jointly controlled entities	18	**6,854**	10,846
Amount due from a jointly controlled entity	18	**20,000**	–
Investment in an associate	19	**5,764**	4,736
Available-for-sale financial assets		**962**	962
Other long-term assets	24	**40,489**	30,672
Deferred income tax assets	38	**33,273**	13,225
		2,222,966	1,620,325
Current assets			
Accounts receivable, net	23	**447,111**	211,416
Prepayments, deposits and other receivables	24	**754,201**	471,555
Inventories	25	**7,803**	6,658
Amounts due from related companies	26	**93,466**	29,705
Self-produced programmes		**8,673**	8,253
Purchased programme and film rights, net	13	**9,092**	4,069
Financial assets at fair value through profit or loss	27	**18,011**	24,330
Bank deposits	28	**1,078,996**	113,280
Restricted cash	29	**3,124**	23,790
Cash and cash equivalents	30	**1,545,486**	1,312,502
		3,965,963	2,205,558
Total assets		**6,188,929**	3,825,883

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**499,298**	498,703
Reserves			
– Proposed final dividend	11	**209,705**	164,572
– Others		**2,856,466**	1,543,803
		3,565,469	2,207,078
Non-controlling interests		**1,317,514**	250,213
Total equity		**4,882,983**	2,457,291
LIABILITIES			
Non-current liabilities			
Borrowings	37	**–**	653,106
Investment deposits	36	**–**	52,520
Other long-term liabilities		**6,743**	–
Deferred income tax liabilities	38	**76,453**	47,699
		83,196	753,325
Current liabilities			
Accounts payable, other payables and accruals	35	**507,638**	410,570
Borrowings	37	**478,480**	–
Deferred income		**181,398**	141,789
Amounts due to related companies	26	**1,637**	11,372
Current income tax liabilities		**53,597**	51,536
		1,222,750	615,267
Total liabilities		**1,305,946**	1,368,592
Total equity and liabilities		**6,188,929**	3,825,883
Net current assets		**2,743,213**	1,590,291
Total assets less current liabilities		**4,966,179**	3,210,616

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 83 to 161 were approved by the Board of Directors on 15 March 2012 and signed on behalf of the Board by

LIU Changle
Director

CHUI Keung
Director

Balance Sheet

As at 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**52,254**	–
Amounts due from subsidiaries, net	20	**–**	865,451
		52,254	865,451
Current assets			
Cash and cash equivalents	30	**1,956**	4,883
Amounts due from subsidiaries, net	20	**1,470,174**	–
		1,472,130	4,883
Total assets		**1,524,384**	870,334
EQUITY			
Equity attributable to owner of the Company			
Share capital	32	**499,298**	498,703
Reserves			
– proposed final dividend	11	**209,705**	164,572
– others		**814,337**	206,774
Total equity		**1,523,340**	870,049
LIABILITIES			
Current liabilities			
Other payables and accruals	35	**1,044**	285
Total liabilities		**1,044**	285
Total equity and liabilities		**1,524,384**	870,334
Net current assets		**1,471,086**	4,598
Total assets less current liabilities		**1,523,340**	870,049

The notes on pages 91 to 161 are an integral part of these financial statements.

The financial statements on pages 83 to 161 were approved by the Board of Directors on 15 March 2012 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 2011
(Amounts expressed in Hong Kong dollars)

	Note	Attributable to owners of the Company								
		Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	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
Profit for the year		–	–	–	–	–	–	421,822	22,602	444,424
Other comprehensive income										
Currency translation differences		–	–	–	–	19,500	–	–	–	19,500
Total comprehensive income for the year		–	–	–	–	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		–	(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

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company								
	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2011		498,703	420,066	9,899	–	43,004	26,274	1,209,132	250,213	2,457,291
Loss for the year		–	–	–	–	–	–	(66,885)	(6,578)	(73,463)
Other comprehensive income										
Currency translation differences		–	–	–	–	31,259	–	–	27,313	58,572
Total comprehensive income/(loss) for the year		–	–	–	–	31,259	–	(66,885)	20,735	(14,891)
Transactions with owners										
Share option scheme										
– value of employee services		–	–	–	–	–	129,024	–	–	129,024
– recognition of shares issued on exercise of options		595	8,314	–	–	–	(1,339)	–	–	7,570
Dividends related to 2010	11	–	(164,717)	–	–	–	–	–	–	(164,717)
Special dividend	11	–	(189,732)	–	–	–	–	–	–	(189,732)
Assured entitlement	11	–	(44,127)	–	23,425	–	–	–	6,564	(14,138)
Disposals of interests in subsidiaries without loss of control	40	–	–	–	1,643,193	–	–	–	1,065,740	2,708,933
Acquisition of additional interests in subsidiaries	40	–	–	–	(11,922)	–	–	–	(32,671)	(44,593)
Liquidation of subsidiaries		–	–	–	11,702	–	–	–	(4,063)	7,639
Exercise of share options of a subsidiary		–	–	–	–	–	(10,399)	–	10,996	597
Allocation to statutory reserve		–	–	19,255	–	–	–	(19,255)	–	–
Total transactions with owners		595	(390,262)	19,255	1,666,398	–	117,286	(19,255)	1,046,566	2,440,583
Balance at 31 December 2011		499,298	29,804	29,154	1,666,398	74,263	143,560	1,122,992	1,317,514	4,882,983

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 91 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Cash (used in)/generated from operations	39	**(161,042)**	939,454
Interest received		**21,896**	7,407
Hong Kong taxation paid		**(157,175)**	(42,996)
Overseas taxation paid		**(42,165)**	(7,782)
Net cash (used in)/generated from operating activities		**(338,486)**	896,083
Cash flows from investing activities			
Increase in other long-term assets		**(9,817)**	(6,862)
Decrease/(increase) in restricted cash		**20,666**	(2,183)
Purchase of software	17	**–**	(150)
Purchase of property, plant and equipment	15	**(368,559)**	(245,677)
Payment of land lease premium	14	**–**	(53,584)
Purchase of programme and film rights	13	**(30,012)**	(29,187)
Capital injection in jointly controlled entity	18	**(827)**	(5,718)
Proceeds from disposal of property, plant and equipment		**–**	29
Additions to investment properties under construction	16	**(164,486)**	(92,100)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	23,307
Liquidation of subsidiaries		**7,639**	–
Income from financial assets at fair value through profit or loss		**902**	3,355
Net cash used in investing activities		**(544,494)**	(408,770)
Cash flows from financing activities			
Acquisitions of additional interests in subsidiaries	40(c)	**(44,593)**	–
Net proceeds from partial disposals of subsidiaries		**1,261,777**	–
Proceeds from exercise of share options of the Company	32, 34	**7,570**	18,732
Dividends paid to owners of the Company	11	**(164,717)**	(99,705)
Special dividends paid to owners of the Company	11	**(189,732)**	–
Assured entitlement	11	**(14,138)**	–
Proceeds from exercise of share options of a subsidiary		**11,268**	–
Drawdown of secured bank borrowings	37	**290,063**	198,407
Repayment of secured bank borrowings	37	**(70,854)**	–
Investment deposits received from investors	36	**–**	52,520
Net cash generated from financing activities		**1,086,644**	169,954
Net increase in cash and cash equivalents		**203,664**	657,267
Cash and cash equivalents at beginning of year		**1,312,502**	649,245
Exchange gains on cash and cash equivalents		**29,320**	5,990
Cash and cash equivalents at end of year	30	**1,545,486**	1,312,502

The notes on pages 91 to 161 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

1. General Information

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (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, P.O. 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.

The financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements of the Group were approved for issue by the Board of Directors on 15 March 2012.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties under construction, financial assets and financial liabilities (including derivative instrument) at fair value through profit or loss.

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

(b) Changes in accounting policies and disclosures

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group but have no significant impact on the Group's financial statements.

(i) Amendments and interpretation to existing standards effective in 2011 but not relevant to the Group

HKAS 24 (Revised), "Related Party Disclosure" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

(a) The name of the government and the nature of their relationship;

(b) The nature and amount of any individually significant transactions; and

(c) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition for a related party.

Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

(Amounts expressed in Hong Kong dollars)

2. Summary of Significant Accounting Policies (Continued)

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

(i) Amendments and interpretation to existing standards effective in 2011 but not relevant to the Group (Continued)

Amendment to HK(IFRIC) – Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it currently has no extinguishment of financial liabilities replaced with equity instruments currently.

Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(ii) Standards and amendments which are not yet effective

The HKICPA has issued the following new or revised standards and amendments to the standards which are not yet effective in 2011 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements	1 July 2012
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 Amendment	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1 January 2013
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

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 position.

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. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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 applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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 in profit or loss.

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.

Investments in subsidiaries are accounted for at cost less impairment.

Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2. Summary of Significant Accounting Policies (Continued)

(c) Consolidation (Continued)

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(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 associates and jointly controlled entities' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements 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.

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.

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

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 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 other comprehensive income.

(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.

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.

(Amounts expressed in Hong Kong dollars)

2. Summary of Significant Accounting Policies (Continued)

(e) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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	shorter of 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%
Aircraft	7.1%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 gains, net", in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties 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 properties 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 properties 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 properties under construction are 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 an independent valuer. Changes in fair values are recorded in the consolidated income statement.

(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, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree 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 subsequently 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.

2. Summary of Significant Accounting Policies (Continued)

(h) Intangible assets (Continued)

(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.

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 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.

2. Summary of Significant Accounting Policies (Continued)

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

(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 the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. 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, restriction cash and cash and cash equivalents 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 the investment matures or 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.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial assets (Continued)

(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 subsequently 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 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.

(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

(i) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, 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 carrying amount of the asset 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)

(o) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(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 of 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 on 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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 only 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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 conditions are included in assumptions about the number of options that are expected to vest. The total expense 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 performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

2. Summary of Significant Accounting Policies (Continued)

(w) Employee benefits (Continued)

(iii) Share-based compensation (Continued)

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 non-controlling 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.

(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 is measured at the fair value of the consideration received or receivable, and represents amount received 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 recognized 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.

2. Summary of Significant Accounting Policies (Continued)

(y) Revenue recognition (Continued)

(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.

(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 consolidated 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.

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.

(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 2011, if HK$ had weakened/strengthened by 5% (2010: 3%) against the RMB, with all other variables held constant, after-tax loss (2010: profit) for the year would have been HK$27,568,000 (2010: HK$11,787,000) higher or lower (2010: 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 2011, 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 or 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 the further details of price risk exposed by the Group, please refer to Note 27.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(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.

(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$490,805,000 (2010: HK$313,626,000) representing approximately 8% (2010: 8%) of the total assets of the Group as of 31 December 2011. 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 the 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 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.

See Note 22 for further disclosure on credit risk.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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 2011			
Accounts payable and other payables	**500,234**	**–**	**–**
Amounts due to related companies	**1,637**	**–**	**–**
Secured bank borrowings	**500,562**	**–**	**–**
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

(iv) Cash flow and fair value interest rate risks

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 and bank borrowings. Bank deposits placed and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk whereas bank deposits 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 2011, 14% of bank deposits, restricted cash and cash and cash equivalents were at fixed rates and all the bank borrowings were at floating rates.

At 31 December 2011, with all other variables held constant, if the interest rate had increased/decreased by 1%, after-tax loss (2010: profit) for the year would have been HK$19,371,000 (2010: HK$9,788,000) higher or lower (2010: lower or higher). Borrowing costs on bank borrowings are capitalised under investment properties under construction and construction in progress and thus has no impact on after-tax loss (2010: profit).

(Amounts expressed in Hong Kong dollars)

3. Financial Risk Management (Continued)

(b) Capital 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).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2011.

	Level 1	**Level 2**	**Total**
Assets			
Financial assets at fair value through profit or loss			
– trading equity securities	**18,011**	**–**	**18,011**

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

3. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

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 2011, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC") of approximately HK$18,011,000 (2010: HK$24,330,000) (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. As at 31 December 2011, there was no instrument included in level 2. As at 31 December 2010, instrument included in level 2 comprised financial liability at fair value through profit and loss of HK$192,974,000 (Note 37(b)).

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.

4. Critical Accounting Estimates and Judgments (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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 instrument that are not traded in active markets.

(v) Fair value of investment properties under construction

The fair value of investment properties 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 properties 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 properties. 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.

(vi) Revenue recognition

Revenue is recognised when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured.

Part of the Group's advertising revenue arrangements involve multiple element deliverables, including placements of different advertisement formats on the Group's website over different periods of time. The Group breaks down the multiple element arrangements into single units of accounting when possible, and allocates total consideration to each single unit of accounting using the relative selling price method.

The Group recognises revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognised on a straight line basis over the contract period.

(vii) Recognition of share-based compensation expense

The Group's employees have participated in various share-based incentive schemes of the Company and its subsidiaries. Management of the Group have used the Black-Scholes model to determine the total fair value of the options granted. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes model, including estimates and assumptions regarding the risk-free interest rate, expected dividend yield and volatility of the underlying shares and the expected life of the share options. The fair values of restricted share units and restricted shares granted are measured on the grant date based on the fair value of the underlying shares of the subsidiaries. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognises an expense for those options, restricted share units and restricted shares expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the options, restricted share units and restricted shares and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expense.

4. Critical Accounting Estimates and Judgments (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(vii) Recognition of share-based compensation expense (Continued)

The fair value of options, restricted share units and restricted shares at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards granted by the Company and its subsidiaries to the Group's employees, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the year ended 31 December 2011 was HK$151,626,000 (2010: HK$15,437,000) (Note 8).

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

(i) Control over Phoenix Metropolis Media Technology Co., Ltd ("PMM Beijing")

Upon completion of the Capital Increase Agreement (see Note 40(b)), the Group's equity interest in PMM Beijing was reduced from 75% to 45.54%. Management has exercised its critical judgment when determining whether the Group has de facto control over PMM Beijing by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM Beijing; (ii) the Group has the ability to direct the relevant activities of PMM Beijing, i.e. the activities that significantly affect PMM Beijing; and (iii) PMM Beijing and other shareholders highly rely on the Group's industry expertise, brand, network and reputation.

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:

	2011 $'000	2010 $'000 (Note 45)
Revenue		
Advertising sales		
Television broadcasting	1,983,009	1,602,191
Internet	559,148	235,803
Outdoor media	386,559	268,210
Mobile, video and wireless value added services income	554,563	324,653
Subscription sales	85,273	76,234
Magazine advertising and subscription or circulation	57,717	47,043
Others	13,176	11,256
	3,639,445	2,565,390

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.

5. Revenue and Segment Information (Continued)

The Group has five main operating 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 and Entertainment Channel and others

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

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

(iv) Real estate – property development and investment (mainly Phoenix International Media Centre in Beijing); and

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

	Year ended 31 December 2011								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000 (Note c)	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,896,099	176,208	2,072,307	1,113,711	386,559	–	66,868	–	3,639,445
Inter-segment sales (Note d)	–	6,948	6,948	5,901	–	–	41,442	(54,291)	–
Total revenue	1,896,099	183,156	2,079,255	1,119,612	386,559	–	108,310	(54,291)	3,639,445
Segment results	1,016,393	9,958	1,026,351	(818,111)	85,177	118,662	7,186	–	419,265
Unallocated income (Note a)									35,565
Unallocated expenses (Note b)									(295,042)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests									159,788
Share of loss of jointly controlled entities									(4,819)
Share of profit of an associate									1,028
Income tax expense									(229,460)
Loss for the year									(73,463)
Non-controlling interests									6,578
Loss attributable to owners of the Company									(66,885)
Depreciation	(63,848)	(6,605)	(70,453)	(17,892)	(21,622)	(290)	(2,823)	–	(113,080)
Unallocated depreciation									(27,940)
									(141,020)

5. Revenue and Segment Information (Continued)

	Year ended 31 December 2010								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000 (Note c)	Other activities $'000	Inter-segment elimination $'000	Group $'000 (Note 45)
Revenue									
External sales	1,539,246	139,937	1,679,183	560,456	268,210	–	57,541	–	2,565,390
Inter-segment sales (Note d)	209	4,805	5,014	14,366	210	–	37,054	(56,644)	–
Total revenue	1,539,455	144,742	1,684,197	574,822	268,420	–	94,595	(56,644)	2,565,390
Segment results	808,026	29,755	837,781	(125,776)	55,585	14,937	5,599	–	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)	(356)	(960)	–	(87,415)
Unallocated depreciation									(22,029)
									(109,444)

Notes:

(a) Unallocated income represents exchange gain, 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)

(c) During the year ended 31 December 2010, real estate did not qualify as a reportable operating segment. However, with the continuous development and expansion of this segment, it qualifies as a reportable operating segment for the year ended 31 December 2011. The comparatives have been restated.

(d) Sales between segments are carried out based on terms determined by management with reference to market prices.

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 2011	
	Revenue	**Total assets**
	$'000	**$'000**
The People's Republic of China	**3,455,684**	**2,790,901**
Hong Kong	**65,529**	**3,300,513**
Others	**118,232**	**97,515**
	3,639,445	**6,188,929**

	Year ended 31 December 2010	
	Revenue	Total assets
	$'000	$'000
	(Note 45)	
The People's Republic of China	2,433,141	1,776,809
Hong Kong	37,106	1,997,343
Others	95,143	51,731
	2,565,390	3,825,883

6. Other Gains, Net

	2011	2010
	$'000	$'000
Exchange gain, net	**55,961**	7,753
Investment income	**902**	3,355
Fair value loss on financial assets at fair value through profit or loss (realised and unrealised)	**(6,319)**	(6,187)
Service charges received from a related party	**–**	978
Others, net	**12,224**	7,133
	62,768	13,032

7. (Loss)/Profit Before Income Tax

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

	2011 $'000	2010 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	–	1,155
Charging		
Production costs of self-produced programmes	190,841	134,531
Commission expenses	321,472	296,229
Transponder rental	29,549	25,405
Provision for impairment of accounts receivable	16,740	686
Employee benefit expenses (including Directors' emoluments)	865,439	553,965
Operating lease rental in respect of		
– Directors' quarters	2,048	1,445
– Land and buildings of third parties	38,471	27,000
Loss on disposal of property, plant and equipment	355	658
Depreciation	141,020	109,444
Amortisation of purchased programme and film rights	25,421	23,150
Amortisation of lease premium for land	2,744	2,744
Amortisation of intangible assets	1,734	1,912
Auditor's remuneration	9,152	3,382
Services charges paid to related parties	19,495	20,404

8. Employee Benefit Expenses (Including Directors' Emoluments)

	2011 $'000	2010 $'000
Wages, salaries and other allowances	**694,221**	521,743
Unutilised annual leave	**1,205**	833
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	**18,387**	15,952
Share-based compensation expense (Note 33)	**151,626**	15,437
	865,439	553,965

(a) Pensions – defined contribution plans

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans based on various percentages of the employees' salaries or a fixed sum per employee with reference to their salary level. The assets of these schemes are generally held in separate trustee administered funds.

(i) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2011, the aggregate amount of the employer's contributions was approximately HK$15,818,000 (2010: HK$13,981,000) and the total amount of forfeited contributions was approximately HK$990,000 (2010: HK$980,000).

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$6,500, since 1 November 2011, the employees' contributions are voluntary.

For the year ended 31 December 2011, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,925,000 (2010: HK$1,738,000) and there was no forfeited contributions (2010: HK$31,000).

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 2011 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	–	5,806	3,200	1,699	535	11,240
2.	CHUI Keung	–	2,376	1,846	1,171	219	5,612
3.	WANG Ji Yan	–	2,073	1,477	1,022	191	4,763
4.	SHA Yuejia	–	–	–	–	–	–
5.	Ella Betsy WONG	–	–	–	–	–	–
6.	LO Ka Shui	250	–	–	–	–	250
7.	GAO Nianshu	–	–	–	–	–	–
8.	GONG Jianzhong	–	–	–	–	–	–
9.	Jan KOEPPEN	–	–	–	–	–	–
10.	LEUNG Hok Lim	250	–	–	–	–	250
11.	Thaddeus Thomas BECZAK	250	–	–	–	–	250
12.	CHEUNG Chun On, Daniel	–	–	–	–	–	–
13.	GAO Jack Qunyao	–	–	–	–	–	–

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	–	–	–	–	–	–

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 2011 include three (2010: three) executive Directors whose emoluments are reflected in the analysis presented in (b) above. The emoluments paid/payable to the remaining two (2010: two) individuals during the year are as follows:

	2011	2010
	$'000	$'000
Salaries	**3,784**	3,518
Discretionary bonus	**3,876**	3,150
Housing allowance	**1,868**	1,740
Pension costs	**349**	325
	9,877	8,733

As of 31 December 2011, Mr. LIU Changle had outstanding share options to purchase 4,900,000 (2010: Nil) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options to purchase 3,900,000 (2010: Nil) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options to purchase 3,900,000 (2010: Nil) shares at HK$2.92 per share. No options were exercised by these Directors during 2011. The fair values of these options have not been included in the directors' emoluments disclosed above.

The emoluments of the remaining two (2010: two) individuals fell within the following bands:

	Number of individuals	
Emolument band	**2011**	2010
HK$3,000,001–HK$3,500,000	**–**	–
HK$3,500,001–HK$4,000,000	**–**	–
HK$4,000,001–HK$4,500,000	**1**	1
HK$4,500,001–HK$5,000,000	**–**	1
HK$5,000,001–HK$5,500,000	**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 except as disclosed above (2010: Nil).

9. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 $'000	2010 $'000
Current income tax		
– Hong Kong profits tax	143,229	104,853
– Overseas taxation	66,198	7,782
– Under/(over) provision of tax in the prior year	13,321	(4,673)
Deferred income tax (Note 38)	6,712	528
	229,460	108,490

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 on certain income deemed to be sourced in 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.

In the PRC, subsidiaries of Fenghuang On-line and Tianying enjoy preferential tax rate of 7.5% and 15% respectively for being new and high technology enterprise.

The tax on the Group's (loss)/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:

	2011 $'000	2010 $'000
Profit before income tax	155,997	552,914
Calculated at a taxation rate of 16.5% (2010: 16.5%)	25,740	91,231
Income not subject to taxation	(14,269)	(19,441)
Expenses not deductible for taxation purposes	181,763	43,617
Tax losses not recognised	11,478	4,775
Effect of tax holiday granted to PRC subsidiaries	(5,391)	(4,850)
Recognition of previously unrecognised deferred income tax assets	(73)	(887)
Utilisation of previously unrecognised tax losses	(4,943)	(1,836)
Effect of different tax rate in other countries	21,834	554
Under/(over) provision of tax in the prior year	13,321	(4,673)
Income tax expense	229,460	108,490

10. (Losses)/Earnings per Share

(a) Basic

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

	2011	2010
(Loss)/profit attributable to owners of the Company ($'000)	(66,885)	421,822
Weighted average number of ordinary shares in issue ('000)	4,991,068	4,985,237
Basic (losses)/earnings per share (Hong Kong cents)	(1.34)	8.46

(b) Diluted

Diluted (losses)/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, restricted shares and restricted share units of subsidiaries 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 and the conversion of the preference shares. 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 (losses)/earnings per share.

	2011	2010
(Loss)/profit attributable to owners of the Company ($'000)	(66,885)	421,822
Adjustment for share options of the Company and a subsidiary and preference shares issued by a subsidiary ($'000)	–	(31,186)
(Loss)/profit attributable to owners of the Company used to determine diluted (losses)/earnings per share ($'000)	(66,885)	390,636
Weighted average number of ordinary shares in issue ('000)	4,991,068	4,985,237
Adjustment for share options of the Company ('000)	–	6,580
Weighted average number of ordinary shares for diluted (losses)/earnings per share ('000)	4,991,068	4,991,817
Diluted (losses)/earnings per share (Hong Kong cents)	(1.34)	7.83

For the year ended 31 December 2011, the share options issued by the Company and a subsidiary, restricted shares and restricted share units of subsidiaries and the conversion option of the preference shares issued by a subsidiary did not have a dilutive effect on the losses per share. The basic and the diluted losses per share are the same.

11. Dividends and Distributions

	2011 $'000	2010 $'000
Proposed final dividend of 4.2 Hong Kong cents (2010: 3.3 Hong Kong cents) per share (Note a)	**209,705**	164,572
Special dividend, paid, of 3.8 Hong Kong cents (2010: Nil) per share	**189,732**	–
Assured entitlement, paid (Note b)	**44,127**	–
	443,564	164,572

(a) The 2010 final dividend paid during the year ended 31 December 2011 were approximately HK$164,717,000 (3.3 Hong Kong cents per share). The directors recommend the payment of a final dividend of 4.2 Hong Kong cents per share, totalling approximately HK$209,705,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 8 June 2012. These consolidated financial statements do not reflect this dividend payable.

(b) In giving due regard to the interests of the shareholders of the Company as required under Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company had to make available to the qualifying shareholders an assured entitlement to the American depositary shares ("Distribution ADS") in connection with the initial public offering (the "Offering") of Phoenix New Media Limited ("PNM") on the New York Stock Exchange ("NYSE") (Note 40(a)) by means of a distribution-in-specie. On 31 May 2011, the Group distributed 334,330 Distribution ADS amounting to HK$29,989,000 and paid cash in lieu of Distribution ADS of US$11 (approximately HK$85.8) per Distribution ADS totalling HK$14,138,000.

12. (Loss)/profit Attributable To Owners of the Company

The (loss)/profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a profit approximately HK$996,680,000 (2010: loss HK$2,632,000).

13. Purchased Programme and Film Rights, Net

	2011 $'000	2010 $'000
Balance, beginning of year	**30,700**	27,233
Additions	**30,012**	29,187
Amortisation	**(25,421)**	(23,150)
Others	**(2,468)**	(2,570)
Balance, end of year	**32,823**	30,700
Less: Purchased programme and film rights – current portion	**(9,092)**	(4,069)
	23,731	26,631

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:

	2011 $'000	2010 $'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**35,555**	36,557
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**203,768**	202,743
	239,323	239,300

	2011 $'000	2010 $'000
Balance, beginning of year	**239,300**	220,236
Currency translation difference	**5,661**	3,010
Additions (Note a)	**–**	53,584
Transfered to investment properties under construction (Note a and Note 16)	**–**	(32,238)
Amortisation (Note b)	**(5,638)**	(5,292)
Balance, end of year (Note c)	**239,323**	239,300

(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 use term of the land is 50 years from 10 October 2001.

The land at the south western corner of Chaoyang Park in Beijing was valued by Vigers Appraisal and Consulting Limited, which is an independent appraiser, 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 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) have been fully paid in May 2010. The additional land premium has been reflected in the lease premium for land and investment properties under construction in accordance with the expected usage areas for the Group's operations and for rental income and capital appreciation.

The land, comprised of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres, in which the above ground of approximately 35,000 square metres, is 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 2011, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$2,894,000 (2010: HK$2,548,000).

(c) Included in the net book value as of 31 December 2011 is an amount of HK$15,960,000 (2010: 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 2011, 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 2011, 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	Aircraft $'000	Construction in progress $'000	Total $'000
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
Year ended 31 December 2011									
Opening net book amount	150,851	212,537	8,149	210,355	6,720	170,900	–	144,830	904,342
Currency translation differences	(121)	642	19	2,510	95	8,358	–	7,411	18,914
Additions	4,656	24,863	449	89,088	6,962	6,474	100,971	135,096	368,559
Disposals	–	–	(31)	(324)	–	–	–	–	(355)
Depreciation	(4,074)	(38,565)	(2,822)	(66,557)	(3,982)	(20,762)	(4,258)	–	(141,020)
Transfers	–	–	–	20,538	–	9,274	–	(29,812)	–
Closing net book amount (Note a)	151,312	199,477	5,764	255,610	9,795	174,244	96,713	257,525	1,150,440
At 31 December 2011									
Cost	165,627	308,608	15,742	517,478	31,370	222,587	100,971	257,525	1,619,908
Accumulated depreciation and impairment	(14,315)	(109,131)	(9,978)	(261,868)	(21,575)	(48,343)	(4,258)	–	(469,468)
Net book amount	151,312	199,477	5,764	255,610	9,795	174,244	96,713	257,525	1,150,440

Depreciation expense of approximately HK$91,577,000 (2010: HK$66,240,000) has been charged in operating expenses, and approximately HK$49,443,000 (2010: HK$43,204,000) in selling, general and administrative expenses.

(a) Included in the net book value as of 31 December 2011 is an amount of HK$27,583,000 (2010: 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 2011. As at 31 December 2011, the cost of this capitalised finance lease was HK$30,848,000 (2010: HK$30,848,000) with a net book value of HK$27,583,000 (2010: HK$28,283,000). As at 31 December 2011, 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 (See Note 14(c)).

(b) Included in the net book value as of 31 December 2011 is an amount of HK$96,713,000 (2010: Nil) which relates to the aircraft newly acquired for operation use, through acquisition of a company during the year.

16. Investment Properties under Construction

	2011 $'000	2010 $'000
Balance, beginning of year	**371,138**	217,657
Transferred from lease premium for land (Note 14)	**–**	32,238
Additions	**164,486**	92,100
Fair value gain	**127,488**	21,979
Currency translation differences	**22,279**	7,164
Balance, end of year	**685,391**	371,138

The Group participated in the development of 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 land, comprised of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres in which above ground of approximately 35,000 square metres, is for cultural, entertainment and office uses. 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.

The Group applied the fair value model, for the accounting of investment properties 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 properties under construction. The fair value of the investment properties under construction as at 31 December 2011 as valued by Vigers Appraisal and Consulting Limited, which is an independent appraiser, was approximately RMB551,400,000 (equivalent to approximately HK$675,630,000) (2010: RMB318,000,000 (equivalent to approximately HK$371,138,000). A fair value gain of approximately HK$127,488,000 (2010: HK$21,979,000) was recognised in the consolidated income statement for the year ended 31 December 2011.

Interest capitalised under investment properties under construction amounted to HK$21,011,000 (2010: HK$7,762,000).

17. Intangible assets

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
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
Year ended 31 December 2011						
Opening net book amount	**8,733**	**1,696**	**1,275**	**2,705**	**4,064**	**18,473**
Amortisation	**–**	**(738)**	**(676)**	**–**	**(320)**	**(1,734)**
Closing net book amount	**8,733**	**958**	**599**	**2,705**	**3,744**	**16,739**
At 31 December 2011						
Cost	**8,733**	**2,401**	**1,923**	**2,705**	**4,623**	**20,385**
Accumulated amortisation and impairment	**–**	**(1,443)**	**(1,324)**	**–**	**(879)**	**(3,646)**
Net book amount	**8,733**	**958**	**599**	**2,705**	**3,744**	**16,739**

Amortisation of approximately HK$1,414,000 (2010: HK$1,353,000) is included in operating expenses, and approximately HK$320,000 (2010: HK$559,000) in selling, general and administrative expenses.

An impairment review of the carrying amount of goodwill at 31 December 2011 and have concluded that no impairment is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual cash-generating units (CGU's) 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 (2010: 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. Interests in Jointly Controlled Entities

	2011 $'000	2010 $'000
Unlisted investments, net	6,854	10,846
Amount due from a jointly controlled entity (Note d)	20,000	–
	26,854	10,846

The Group's investments in jointly controlled entities are analysed as follows:

	2011 $'000	2010 $'000
Unlisted investments, at cost	18,964	13,246
Capital injection into jointly controlled entities (Note b)	827	5,718
Less: provision for impairment	(472)	(472)
Less: share of losses of jointly controlled entities	(12,465)	(7,646)
Unlisted investments, net	6,854	10,846

Details of the jointly controlled entities as at 31 December 2011 were as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
China Global Television Limited	British Virgin Islands, 18 October 2001	British Virgin Islands	Dormant	50%	US$2
北京翡翠鳳凰文化投資咨詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 (Note 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 PRC	50%	RMB10,000,000
Phoenix U Radio Limited (Note c)	Hong Kong, 24 September 2010	Hong Kong	Radio broadcasting	22.73%	HK$1,000 (A share) HK$100 (B share)
深圳鳳凰城市論壇有限公司	The PRC, 15 August 2011	The PRC	Organising events and conferences	50%	RMB1,000,000

18. Interests in Jointly Controlled Entities (Continued)

(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 2011, 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.

(c) On 24 September 2010, the Group set up Phoenix U Radio Limited, a jointly-controlled entity with certain individuals. The registered capital of Phoenix U Radio Limited is HK$1,000 for Type A shares and HK$100 for Type B shares. In a contractual arrangement between the Group and the venturers, joint control over the economic activity of the entity is established.

(d) As at 31 December 2011, the amount due from the jointly controlled entity under non-current asset of HK$20,000,000 bears interest at 2% plus the best lending rate per annum on HK$ quoted by The Hong Kong and Shanghai Banking Corporation Limited. The average effective interest rate was 7%. The amount due from the jointly controlled entity is secured by certain assets of the jointly controlled entity, not repayable within one year after the balance sheet date and denominated in HK$.

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

	2011 $'000	2010 $'000
Assets:		
Non-current assets	360	184
Current assets	45,359	32,415
	45,719	32,599
Liabilities:		
Current liabilities	(27,148)	(4,008)
Net assets	18,571	28,591
Income	44,854	22,777
Expenses	(56,162)	(26,653)
Loss after income tax	(11,308)	(3,876)

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

19. Investment in an Associate

	2011 $'000	2010 $'000
Unlisted investment, at cost	**5,564**	5,564
Less: Share of profit/(loss) on an associate	**200**	(828)
Unlisted investment, net	**5,764**	4,736

Details of the associate as at 31 December 2011 was as follows:

Name	Place and date of incorporation	Place of operation	Principal activity	Percentage of equity interest held by the Group	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 and Amounts due from Subsidiaries

	Company 2011 $'000	2010 $'000
Non-current:		
Unlisted shares, at cost (Note a)	**–**	–
Amounts due from subsidiaries, net (Note c)	**–**	865,451
Deemed capital contributions arising from share-based compensation	**52,254**	–
	52,254	865,451
Current:		
Amounts due from subsidiaries, net (Note b)	**1,470,174**	–

(a) The following is a list of the subsidiaries at 31 December 2011:

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

(Amounts expressed in Hong Kong dollars)

20. Interests in Subsidiaries (Continued)

(a) (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 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	51.71%	US$1
PHOENIXi Investment Limited (completed its liquidation process on 21 December 2011) (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	48.76%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)
PHOENIXi, Inc. (completed its liquidation process on 15 July 2011) (Note a (i))	The United States of America, limited liability company	The United States of America	Dormant	48.76%	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

(Amounts expressed in Hong Kong dollars)

20. Interests in Subsidiaries (Continued)

(a) (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
國鳳在線(北京)信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited (deregistered on 10 May 2011) (Note a (i))	The PRC, limited liability company	The PRC	Dormant	48.76%	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
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	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	51.71%	US$1,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

(Amounts expressed in Hong Kong dollars)

20. Interests in Subsidiaries (Continued)

(a) (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 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
Hong Kong Phoenix Books Culture Publishing Company Limited (formerly known as 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	100%	HK$400
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	51.71%	US$3,061,011 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
鳳凰都市傳媒科技股份有限公司（前稱鳳凰都市（北京）廣告傳播有限公司） Phoenix Metropolis Media Technology Co. Ltd. (formerly known as Phoenix Metropolis Media (Beijing) Company Limited) (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB140,000,000
鳳凰衛視都市傳媒（上海）有限公司 Phoenix Metropolis Media (Shanghai) Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB22,072,992
鳳凰衛視都市傳媒（杭州）有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320

(Amounts expressed in Hong Kong dollars)

20. Interests in Subsidiaries (Continued)

(a) (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
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB35,000,000
鳳凰都市傳媒(廣州)有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited (Note e)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	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
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Dormant	100%	CAD100
Phoenix Metropolis Media Company Limited	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	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. (Note a(iii))	The PRC, limited liability company	The PRC	Internet contents provision	51.71%	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Information Technology Co. Ltd. (Note a(iii))	The PRC, limited liability company	The PRC	Tele-communications business contents provision	51.71%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Chuangzhi Adv. Co., Ltd.	The PRC, limited liability company	PRC	Internet contents provision	51.71%	RMB5,000,000

(Amounts expressed in Hong Kong dollars)

20. Interests in Subsidiaries (Continued)

(a) (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
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	100%	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
Feng Huang Air, LLC	The United States of America, limited liability company	The United States of America	Dormant	100%	–
Feng Huang Air Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix (UK) Properties Company Limited	Hong Kong, limited liability company	Hong Kong	Properties holding	100%	HK$1
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	New media	51.71%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1
Wei Fu Investments Limited	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100%	US$1
Phoenix Research & Development Limited	British Virgin Islands, limited liability company	Hong Kong	Research and development	100%	US$1
Phoenix Industrial Development Centre Limited	Hong Kong, limited liability company	Hong Kong	Research and development	100%	HK$1
Phoenix Research Institute Limited	Hong Kong, company limited by guarantee	Hong Kong	Research and development	100%	–

20. Interests in Subsidiaries (Continued)

(a) (Continued)

Notes:

i. PHOENIXi Investment Limited and PHOENIXi, Inc completed its liquidation process on 21 December 2011 and 15 July 2011 respectively. Guofeng On-line (Beijing) Information Technology Company Limited deregistered on 10 May 2011.

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) Amounts due from subsidiaries included under current assets are unsecured, non-interest bearing and repayable on demand.

(c) Amounts due from subsidiaries included under non-current assets were unsecured, non-interest bearing and not repayable within one year after the balance sheet date.

(d) 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 2011.

(e) The Group has assessed the existence of control over these subsidiaries where it does not have more than 50% of the voting power but is able to govern the financial and operating policies of these subsidiaries by virtue of de-facto control.

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 and loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2011				
Available-for-sale financial assets	–	–	962	962
Financial assets at fair value through profit or loss (Note 27)	–	18,011	–	18,011
Bank deposits (Note 28)	1,078,996	–	–	1,078,996
Accounts receivable (Note 23)	447,111	–	–	447,111
Other receivables (Note 24)	662,143	–	–	662,143
Amounts due from related companies (Note 26)	93,466	–	–	93,466
Amount due from a jointly controlled entity (Note 18)	20,000	–	–	20,000
Restricted cash (Note 29)	3,124	–	–	3,124
Cash and cash equivalents (Note 30)	1,545,486	–	–	1,545,486
Total	3,850,326	18,011	962	3,869,299

21. Financial Instruments by Category (Continued)

	Loans and receivables $'000	Financial assets at fair value through profit and loss $'000	Available-for-sale $'000	Total $'000
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

	Financial liability at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Liabilities per consolidated balance sheet			
31 December 2011			
Accounts payable and other payables (Note 35)	**–**	**500,234**	**500,234**
Amounts due to related companies (Note 26)	**–**	**1,637**	**1,637**
Borrowings			
– Secured bank borrowings (Note 37(a))	**–**	**478,480**	**478,480**
Total	**–**	**980,351**	**980,351**
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 liability	–	215,041	215,041
– compound embedded derivative component	192,974	–	192,974
Total	192,974	925,417	1,118,391

21. Financial Instruments by Category (Continued)

Company

	Loans and Receivables $'000
Assets as per balance sheet	
31 December 2011	
Cash and cash equivalents (Note 30)	**1,956**
Amounts due from subsidiaries, net (Note 20)	**1,470,174**
	1,472,130
31 December 2010	
Cash and cash equivalents (Note 30)	4,883
Amounts due from subsidiaries, net (Note 20)	865,451
	870,334

	Financial liabilities at amortised cost $'000
Liabilities as per balance sheet	
31 December 2011	
Other payables and accruals	**1,044**
31 December 2010	
Other payables and accruals	285

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

	2011 $'000	2010 $'000
Counterparties without external credit rating		
Group 1	**58,521**	13,225
Group 2	**399,978**	199,868
	458,499	213,093

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Other receivables

	2011 $'000	2010 $'000
Counterparties without external credit rating		
Group 1	**44,482**	4,507
Group 2	**617,661**	406,089
	662,143	410,596

Amounts due from related companies

	2011 $'000	2010 $'000
Counterparties without external credit rating		
Group 2	**93,466**	29,705

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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
AA	**–**	215,481	**–**	4,828
AA–	**246,626**	6,347	**1,901**	–
A+	**29**	–	**–**	–
A	**352,216**	2,959	**55**	–
A–	**483,179**	160,389	**–**	55
BBB+	**313,065**	619,949	**–**	–
BBB	**1,831**	128,647	**–**	–
Others (Note a)	**146,224**	177,167	**–**	–
	1,543,170	1,310,939	**1,956**	4,883

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

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Restricted cash

	2011 $'000	2010 $'000
AA	–	21,213
AA–	3,124	–
BBB+	–	2,355
Others	–	222
	3,124	23,790

Available-for-sale financial assets

	2011 $'000	2010 $'000
Others	962	962

Bank deposits

	2011 $'000	2010 $'000
A	245	–
A–	–	233
BBB	–	–
BBB+	1,078,751	113,047
	1,078,996	113,280

Financial assets at fair value through profit or loss

	2011 $'000	2010 $'000
AA	–	24,330
AA–	18,011	–
	18,011	24,330

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

23. Accounts Receivable, Net

	2011 $'000	2010 $'000
Accounts receivable	**458,499**	213,093
Less: Provision for impairment of receivables	**(11,388)**	(1,677)
	447,111	211,416

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 24). The Group generally requires its advertising customers to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

At 31 December 2011, the aging analysis of the accounts receivable from customers was as follows:

	2011 $'000	2010 $'000
0–30 days	**144,204**	100,055
31–60 days	**84,116**	48,719
61–90 days	**62,237**	24,618
91–120 days	**70,463**	16,825
Over 120 days	**97,479**	22,876
	458,499	213,093
Less: Provision for impairment of receivables	**(11,388)**	(1,677)
	447,111	211,416

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

	2011 $'000	2010 $'000
RMB	**443,098**	197,387
US$	**10,180**	9,657
UK pound	**5,221**	6,049
	458,499	213,093

23. Accounts Receivable, Net (Continued)

Movements on the Group's provision for impairment of accounts receivable are as follows:

	2011 $'000	2010 $'000
At 1 January	**1,677**	3,159
Provision for impairment of accounts receivable	**16,740**	686
Receivables written off during the year as uncollectible	**(7,041)**	(1,003)
Reversal of provision for impairment of accounts receivable	**–**	(1,155)
Currency translation differences	**12**	(10)
At 31 December	**11,388**	1,677

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.

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$16,740,000 (2010: net reversal of provision of HK$469,000) for the impairment of its accounts receivable for the year ended 31 December 2011. The loss has been included in "selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$7,041,000 (2010: HK$1,003,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year.

As at 31 December 2011, accounts receivable of approximately HK$123,940,000 (2010: HK$58,098,000) 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:

	2011 $'000	2010 $'000
0 to 30 days	**55,620**	30,642
31–60 days	**15,228**	9,352
61–90 days	**12,508**	4,149
91–120 days	**14,554**	8,019
Over 120 days	**26,030**	5,936
	123,940	58,098

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

	2011 $'000	2010 $'000
Prepayment and deposits	**132,547**	91,631
Other receivables	**662,143**	410,596
	794,690	502,227
Less non-current portion	**(40,489)**	(30,672)
Current portion	**754,201**	471,555

Included in other receivables is an amount of approximately RMB400,559,000 (HK$490,805,000) (2010: RMB269,482,000 (HK$313,626,000)) 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.

Pursuant to a service agreement signed between Shenzhou and the Group dated 12 March 2002, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

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 RMB400,559,000 (HK$490,805,000) as at 31 December 2011 (2010: RMB269,482,000 (equivalent to approximately HK$313,626,000)) 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 2011, other receivables of HK$662,143,000 (2010: HK$410,596,000) 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:

	2011 $'000	2010 $'000
Up to 90 days	**567,137**	349,353
91 to 180 days	**38,569**	14,748
Over 180 days	**56,437**	46,495
	662,143	410,596

24. Prepayments, Deposits and Other Receivables (Continued)

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

	2011 $'000	2010 $'000
RMB	**598,790**	371,469
US$	**12,728**	550
HK$	**42,254**	37,607
UK pound	**7,659**	727
Other currencies	**712**	243
	662,143	410,596

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

	2011 $'000	2010 $'000
Decoder devices and satellite receivers	**3,908**	3,560
Premium	**3,895**	3,098
	7,803	6,658

The cost of inventories sold is recognised as expense and included in other gains, net, amounted to approximately HK$1,406,000 for the year ended 31 December 2011 (2010: HK$660,000).

26. Amounts due from/to Related Companies

	2011 $'000	2010 $'000
Amounts due from related companies		
– CMCC (Note a)	**77,895**	18,236
– STARL (Note b)	**13,621**	10,321
– Other related companies	**1,950**	1,148
	93,466	29,705
Amounts due to related companies	**(1,637)**	(11,372)

26. Amounts due from/to Related Companies (Continued)

At 31 December 2011, the ageing analysis of the amounts due from/to related companies, were as follows:

	2011 $'000	2010 $'000
Amounts due from related companies		
0–90 days	**63,240**	18,634
91–120 days	**8,010**	1,813
over 120 days	**22,216**	9,258
	93,466	29,705
Amounts due to related companies		
Over 120 days	**1,637**	11,372
	1,637	11,372

The carrying amounts of the Group's amounts due from/to related companies are denominated in the following currencies:

	2011 $'000	2010 $'000
Amounts due from related companies		
RMB	**79,066**	19,369
HK$	**779**	15
USD	**13,621**	10,321
	93,466	29,705
Amounts due to related companies		
RMB	**–**	11,372
USD	**1,637**	–
	1,637	11,372

(a) As at 31 December 2011, amount due from China Mobile Communications Corporation ("CMCC"), a substantial shareholder of the Company, is approximately HK$77,895,000 (2010: HK$18,236,000) (Note 42 (i)(j)).

(b) As at 31 December 2011, amount due from Satellite Television Asian Region Limited ("STARL") is HK$13,621,000 (2010: HK$10,321,000). STARL is a subsidiary of Star Entertainment Holdings Limited (formally known as Xing Kong Chuan Mei Group Co Ltd), a substantial shareholder of the Company (Note 42 (i)(a)).

(c) The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand (2010: same).

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

(e) 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

	2011 $'000	2010 $'000
Investments at fair value	**18,011**	24,330

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 gains, net in the consolidated income statement (Note 6).

As at 31 December 2011, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$18,011,000 (2010: HK$24,330,000).

The shares of HSBC were acquired through the maturity of an equity-linked note on 5 December 2008. On the settlement date of the equity-linked note, the Group received 305,271 shares of HSBC instead of the principal of the investment from the issuer and any gain or loss on the fair value of the shares of HSBC recognised in the consolidated income statement since then. These shares are held for trading. As at 31 December 2011, the closing price of the shares of HSBC was HK$59 (2010: HK$79.7). If the price of the shares of HSBC increased/decreased by 50% (2010: 50%) with all other variables held constant, after-tax loss (2010: profit) for the year would have been HK$9,005,000 (2010: HK$12,165,000) lower/higher (2010: higher/lower). The investment is managed and its performance evaluated on a fair value basis and information about the Company's investment in the shares is reported to management on that basis.

At 31 December 2010, 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 ended 31 December 2010, the 100% principal protected commodity index participation note was redeemed at maturity.

28. Bank Deposits

	2011 $'000	2010 $'000
Short-term deposits (Note a)	**1,078,996**	113,280

(a) Short-term bank deposits represents bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposit. The carrying amounts of bank deposits are denominated in the following currencies:

	2011 $'000	2010 $'000
RMB	**969,548**	6,068
US$	**109,448**	107,212
	1,078,996	113,280

29. Restricted Cash

As at 31 December 2010, restricted cash included cash and cash equivalents amounting to HK$20,644,000 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 were undergoing liquidation and deregistration respectively and were held under trust by liquidators as at 31 December 2010. The liquidation and the deregistration have been completed during 2011. As at 31 December 2011, restricted cash of HK$3,124,000 (2010: HK$3,146,000) represents a deposit pledged to a bank to secure a banking guarantee (Note 31).

	Group	
	2011	2010
	$'000	$'000
– US$	**–**	18,067
– RMB	**–**	2,577
– Other currencies	**3,124**	3,146
	3,124	23,790

30. Cash and Cash Equivalents

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,178,151**	760,580	**1,956**	4,883
Short-term bank deposits	**367,335**	551,922	**–**	–
	1,545,486	1,312,502	**1,956**	4,883
Maximum exposure to credit risk	**1,543,170**	1,310,939	**1,956**	–
Denominated in:				
– HK$	**34,258**	29,043	**1,832**	4,760
– RMB	**700,462**	458,514	**–**	–
– US$	**799,224**	814,621	**–**	123
– Other currencies	**11,542**	10,324	**124**	–
	1,545,486	1,312,502	**1,956**	4,883

Cash and cash equivalents include cash at bank and on hand and short-term bank deposits with an original maturity of three months or less 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$612,650,000 from Bank of Beijing to fund the construction work on the Phoenix International Media Centre. As at 31 December 2011, loan facilities of approximately HK$134,170,000 (2010:HK$338,459,000) was unutilised.

Save as disclosed above, as at 31 December 2011, the Group had remaining banking facilities amounting to approximately HK$18,124,000 (2010: HK$18,146,000) of which approximately HK$13,584,000 (2010: HK$13,658,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2011, deposits of approximately HK$3,124,000 (2010: HK$3,146,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary (Note 29).

32. Share Capital

	2011 Number of shares	2011 Amount $'000	2010 Number of shares	2010 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	**4,987,031,500**	**498,703**	4,970,142,000	497,014
Exercise of share options	**5,954,000**	**595**	16,889,500	1,689
At 31 December	**4,992,985,500**	**499,298**	4,987,031,500	498,703

33. Share-based compensation

(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.

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

	2011 Average exercise price in HK$ per share	2011 Options '000	2010 Average exercise price in HK$ per share	2010 Options '000
At 1 January	**1.30**	**18,989**	1.21	36,568
Granted	**2.92**	**107,610**	–	–
Exercised	**1.27**	**(5,954)**	1.11	(16,889)
Lapsed	**2.18**	**(4,037)**	1.08	(690)
At 31 December	**2.77**	**116,608**	1.30	18,989

33. Share-based compensation (Continued)

(a) Share options of the Company (Continued)

Management appointed an independent valuer, Grant Sherman Appraisal Limited, to estimate the fair values of options at the grant dates. The fair values of options were determined using the Black-Scholes model. The fair value of the new options granted in March 2011 and June 2011 were HK$114,639,000, and HK$3,208,000 respectively. The key assumptions used in the valuation are set out in the below table.

	March 2011 grant	**June 2011 grant**
Closing share price at grant date (HK$)	2.92	3.06
Exercise price per share (HK$)	2.92	3.06
Annual risk-free interest rate (%)	2.018–2.365	1.32–1.7
Expected life of options (years)	5.5–7	5.5–7
Expected volatility (%)	38.82–41.26	39.52–43.22

As at 31 December 2011, out of the 116,608,000 outstanding options (2010: 18,989,000 options), 9,094,000 (2010: 12,944,000) were exercisable. Options exercised in 2011 resulted in 5,954,000 shares (2010: 16,889,000 shares) being issued at HK$1.27 each (2010: HK$1.11). The related weighted average share price at the time of exercise was HK$3.43 (2010: HK$1.99) per share.

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 2011 '000**	2010 '000
14 February 2011	1.99	**–**	500
9 August 2011	1.13	**–**	3,800
19 December 2012	0.79	**600**	600
25 March 2017	1.45	**6,470**	9,045
21 July 2019	1.17	**4,048**	5,044
8 March 2021	2.92	**102,700**	–
27 June 2021	3.06	**2,790**	–
		116,608	18,989

33. Share-based compensation (Continued)

(b) Share options of PNM

PNM, an indirect non-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 in 1 July 2010, to the employees 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 are as follows:

	2011		2010	
	Average exercise price in US$ per share	**Options '000**	Average exercise price in US$ per share	Options '000
At 1 January	**0.03215**	**83,373**	0.03215	72,332
Granted	**0.03215**	**–**	0.03215	15,768
Lapsed/cancelled	**0.03215**	**(19,434)**	0.03215	(4,727)
Exercised	**0.03215**	**(44,597)**		–
At 31 December		**19,342**		83,373

As at 31 December 2011, out of the 19,342,000 outstanding options (2010: 83,373,000), 16,806,000 (2010: 59,125,000) were exercisable. Options exercised in 2011 resulted in 44,597,000 shares (2010: Nil) being issued at US$0.03215 each (2010: Nil). The related weighted average share price at the time of exercise subsequent to the offering (see Note 40(a)) was US$0.71 (2010: Nil) per share.

Share options outstanding as at 31 December 2011 will expire on 25 May 2018 and have an exercise price of US$0.03215.

The average fair value of options granted during 2010 determined using the Black-Scholes valuation model was 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%, 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 determined with reference to entities with similar business operations. No share option was granted during 2011.

33. Share-based compensation (Continued)

(c) Restricted share units and restricted shares of PNM

On 15 March 2011, PNM adopted the restricted share unit and restricted share scheme. Management appointed an independent valuer, Grant Sherman Appraisal Limited, to estimate the fair values of restricted share units ("RSU") and restricted shares ("RS") at the grant date. The fair values of RSU and RS were determined using the income approach/ discounted cash flow method with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant. The fair value of RSU and RS at the grant date, 17 March 2011, was US$1.07.

The key assumptions used in the valuation are set out in the below table.

Discount rate (%)	20.3
Discount for lack of marketability (%)	8
Discount for lack of control (%)	20

Movement in RSU during the year is as follows:

	2011 RSU '000
At 1 January	**–**
Granted (Note (i))	**10,051**
Vested	**(4,757)**
Lapsed	**(1,037)**
At 31 December	**4,257**

Movement in RS during the year is as follows:

	2011 RS '000
At 1 January	**–**
Granted (Note (ii))	**19,008**
Vested	**(9,296)**
At 31 December	**9,712**

(i) On 17 March 2011, PNM granted 10,051,000 RSU to the employees. Those restricted share units vest based on 4 years of continuous services.

(ii) On 15 March 2011, PNM cancelled 18,778,000 unvested share options granted historically, and granted 19,008,000 RS to 22 employees on 17 March 2011. Those RS vest based on 4 years of continuous services.

33. Share-based compensation (Continued)

(d) Restricted shares of PMM Beijing

On 29 May 2011, PMM Beijing granted 12,241,000 restricted shares to its directors and senior management and 2,759,000 restricted shares to other mid-level staff under the restricted share scheme at the offer price of RMB2.53 per RMB1.00 of registered capital. The directors, senior management and other mid-level staff under the restricted share scheme are restricted from transferring their interests until August 2012.

Management appointed an independent valuer, Grant Sherman Appraisal Limited, to estimate the fair value of the restricted shares at the grant date. The fair value of restricted share was determined using the income approach/ discounted cash flow method.

The key assumptions used in the valuation are set out in the below table.

Discount rate (%)	13.82
Lock-up discount (%)	3.7–8.3
Discount for lack of marketability (%)	20
Discount for lack of control (%)	10

The fair value of restricted shares granted to directors and senior management ranged from RMB3.88 to RMB4.07 per share. The fair value of restricted shares granted to other mid-level staff ranged from RMB3.98 to RMB4.07 per share. The weighted average fair value of restricted shares granted is RMB3.97 per share.

34. Reserves

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

	Share premium $'000	Employee share-based payment reserve $'000	Retained earnings/ (accumulated deficit) $'000	Total $'000
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**
Exercise of share options	**8,314**	**(1,339)**	**–**	**6,975**
Profit for the year	**–**	**–**	**996,680**	**996,680**
Dividends related to 2010	**(164,717)**	**–**	**–**	**(164,717)**
Special dividend	**(189,732)**	**–**	**–**	**(189,732)**
Assured entitlement	**(44,127)**	**–**	**–**	**(44,127)**
Employee share-based payment expenses	**–**	**47,617**	**–**	**47,617**
At 31 December 2011	**29,804**	**49,808**	**944,430**	**1,024,042**

35. Accounts Payable, Other Payables and Accruals

(a) Group

	2011 $'000	2010 $'000
Accounts payable	**180,724**	144,272
Other payables and accruals	**326,914**	266,298
	507,638	410,570
Less: non-financial liabilities	**(7,404)**	(9,177)
	500,234	401,393

At 31 December 2011, the ageing analysis of the accounts payable was as follows:

	2011 $'000	2010 $'000
0–30 days	**44,239**	52,252
31–60 days	**43,268**	13,964
61–90 days	**13,385**	8,011
91–120 days	**19,613**	5,558
Over 120 days	**60,219**	64,487
	180,724	144,272

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

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

	2011 $'000	2010 $'000
HK$	**105,169**	108,378
RMB	**380,523**	284,625
US$	**10,929**	5,207
UK pound	**2,880**	2,781
Others	**733**	402
	500,234	401,393

(b) Company

The amount represents accrual for administrative expenses of HK$1,044,000 (2010: HK$285,000). The carrying amount approximates its fair value and is denominated in HK$.

36. Investment Deposits

During the year ended 31 December 2010, the Group entered into framework agreements with three investors in respect of their investment into 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 HK$53,000,000 from the investors as investment deposits. During the year ended 31 December 2011, the investment deposits were converted into the capital of PMM Beijing (Note 40(b)).

37. Borrowings

	Group	
	2011	2010
	$'000	$'000
Secured bank borrowings (Note a)	**478,480**	245,091
Preference share liability (Note b)	**–**	408,015
	478,480	653,106

(a) Secured bank borrowings

Secured bank borrowings, which are denominated in RMB mature on 26 July 2012 and bear interest at average rate of 6.79% annually (2010: 5.4%).

Bank borrowings are secured by the land in Chaoyang Park with carrying values of approximately HK$117,000,000 (2010: HK$115,000,000), HK$203,000,000 (2010: HK$92,000,000) and HK$676,000,000 (2010: HK$371,000,000) recorded in lease premium for land, construction in progress and investment properties under construction respectively.

(b) Preference share liability

In 2009, 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).

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)

The Preferred Shares were mandatorily converted into PNM Class A Shares upon the offering. The carrying values of both the host debt and derivative components were derecognised with a corresponding increase in equity to recognise the issue of PNM Class A Shares upon conversion (Note 40(a)).

The movements of the carrying values of the host debt and derivative components of the Preferred Shares are as follows:

	2011 $'000	2010 $'000
Preferred Shares – initial measurement of host debt	215,041	173,404
Currency translation differences	493	60
Add: interest accretion during the year	17,613	41,577
Less: conversion into PNM class A Shares	(233,147)	–
	–	215,041
Derivative component – initial measurement	192,974	23,934
Currency translation differences	461	(47)
Add: change in fair value during the year	947,100	169,087
Less: conversion into PNM class A Shares	(1,140,535)	–
	–	192,974
Preference share liability	–	408,015

The fair value of the Preferred Shares was determined using the discounted cash flow method. The significant assumptions used were discount rate of 21.09% (2010: 20.43%); volatility of 54.89% (2010: 55.26%) and annual risk-free interest rate of 3.16% (2010: 3.15%). 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 values of the borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Secured bank borrowings	478,480	245,091	478,480	245,091
Financial liability at amortised cost	–	215,041	–	215,041
Financial liability at fair value through profit and loss	–	192,974	–	192,974
	478,480	653,106	478,480	653,106

38. Deferred Income Tax

Deferred income tax for the year ended 31 December 2011 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 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$411,186,000 as at 31 December 2011 (2010: HK$408,352,000) to carry forward against future taxable income. Approximately HK$403,693,000 (2010: HK$397,283,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2027.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain PRC subsidiaries. Since the Directors consider the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future, no withholding tax has been provided.

The movement in deferred tax income 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 properties under construction		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	32,910	37,580	14,789	9,294	47,699	46,874
(Credited)/charged to the consolidated income statement	(15,514)	(5,174)	42,227	5,495	26,713	321
Currency translation differences	–	504	2,041	–	2,041	504
At 31 December	17,396	32,910	59,057	14,789	76,453	47,699

Deferred income tax assets

	Tax losses		Decelerated tax depreciation		Provisions		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	(13,112)	(13,341)	(113)	(91)	–	–	(13,225)	(13,432)
(Credited)/charged to the consolidated income statement	(4,779)	229	(471)	(22)	(14,751)	–	(20,001)	207
Currency translation differences	–	–	–	–	(47)	–	(47)	–
At 31 December	(17,891)	(13,112)	(584)	(113)	(14,798)	–	(33,273)	(13,225)

39. Cash (Used in)/Generated from Operations

Reconciliation of profit before income tax to cash (used in)/generated from operation

	2011 $'000	2010 $'000
Profit before income tax	**155,997**	552,914
Amortisation of lease premium for land	**5,638**	5,292
Depreciation of property, plant and equipment	**141,020**	109,444
Amortisation of purchased programme and film rights and other charges	**25,421**	23,150
Amortisation of intangible asset	**1,734**	1,912
Employee share-based payments	**129,024**	15,437
Provision for impairment of receivables	**16,740**	1,677
Loss on disposal of property, plant and equipment	**355**	658
Share of loss of jointly controlled entities	**4,819**	1,794
Share of (profit)/loss of an associate	**(1,028)**	2
Fair value gain on investment properties under construction	**(127,488)**	(21,979)
Interest income	**(21,896)**	(7,407)
Investment income	**(902)**	(3,355)
Fair value loss on financial assets at fair value through profit or loss	**6,319**	6,187
Fair value loss on preference share liability – derivative component	**947,100**	169,087
Interest expenses – preference share liability	**17,613**	41,577
Increase in accounts receivable	**(252,435)**	(126,596)
Increase in prepayments, deposits and other receivables	**(282,646)**	(19,195)
Increase in inventories	**(1,145)**	(2,664)
Increase in amounts due from related companies	**(63,761)**	(2,210)
Increase in amount due from a jointly controlled entity	**(20,000)**	–
Increase in self-produced programmes	**(420)**	(5,999)
(Increase)/decrease in bank deposits	**(965,716)**	4,336
Increase in accounts payable, other payables and accruals	**77,715**	167,058
Increase in other long-term liabilities	**6,743**	–
Increase in deferred income	**49,892**	28,363
Decrease in amounts due to related companies	**(9,735)**	(29)
Cash (used in)/generated from operations	**(161,042)**	939,454

40. Transactions with non-controlling interests

(a) Disposal of partial interest in PNM

On 12 May 2011, PNM completed the Offering and it was separately listed on the NYSE. Prior to the completion of the Offering, all of the ordinary shares of PNM held by the Company were re-designated as PNM Class B Shares (entitled to 1.3 votes for each share) and all other ordinary shares were re-designated as PNM Class A Shares (entitled to 1 vote for each share). The Offering was comprised of 11,500,000 American depositary shares ("ADSs") (representing 92,000,000 new PNM Class A Shares) sold by PNM and 1,267,500 ADSs (representing 10,140,000 existing PNM Class A Shares) sold by Morningside China TMT Fund I, L.P., Intel Capital Corporation and Bertelsmann Asia Investments AG (the "Selling Shareholders") before the exercise of the over-allotment option and following the exercise of the over-allotment option, an aggregate of 13,415,125 ADSs (representing 107,321,000 new PNM Class A Shares) were issued and sold by PNM, and 1,267,500 ADSs (representing 10,140,000 existing Class A Shares) was sold by the Selling Shareholders. The final offer price of the ADSs was US$11(approximately HK$85.8) per ADS. As a result of the grant of restricted shares, exercise of share options by the option holders, the Offering and the conversion of Preferred Shares (Note 37(b)), the Group's equity interest in PNM was reduced from 99.27% to 51.71%. As the Group retains control over PNM, the Group recognised a gain on deemed disposal of partial interest in PNM of HK$1,563,711,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$867,836,000 for the year.

(b) Disposal of partial interest in PMM Beijing

On 29 May 2011, PMM Beijing entered into a capital increase agreement (the "Capital Increase Agreement") with the two controlling shareholders of Regal Fame Investments Limited, three PRC domestic independent investors ("PRC investors"), certain employees of various members of the Phoenix Metropolis Media Holdings Limited and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited ("PMM Communication"). Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately HK$48,000,000 to RMB140,000,000 (approximately HK$164,841,000). As a result of the subscription of the share capital (together with consideration in excess of the registered capital by these investors and employees), the Group's equity interest in PMM Beijing (through PMM Communication) was reduced from 75% to 45.54%. Notwithstanding the Group owns less than half of the equity interest in PMM Beijing subsequent to the capital increase, the Group retains control over PMM Beijing as it has the ability to direct the relevant activities of PMM Beijing i.e. the activities that significantly affect PMM Beijing. As a result of the capital increase, the Group recognised a gain on deemed disposal of partial interest in PMM Beijing of approximately HK$79,482,000 in the equity attributable to the owners of the Company and an increase in the non-controlling interests of HK$197,904,000 for the year.

(c) Acquisitions of additional interests in PMM Guangzhou and PMM Shenzhen

In November 2011, the Group further acquired the remaining 25% and 20% equity interests of Phoenix Metropolis Media (Guangzhou) Co., Ltd. ("PMM Guangzhou") and Shenzhen Phoenix Metropolis Media Co., Ltd. ("PMM Shenzhen"), respectively, at a total consideration of RMB36,500,000 (approximately HK$44,593,000). The difference between total fair value of consideration paid and the total relevant share acquired of the carrying value of net assets of PMM Guangzhou and PMM Shenzhen of HK$11,922,000 was recognised in the equity attributable to the owners of the Company and a decrease of HK$32,671,000 was recognised in the non-controlling interests for the year.

41. Commitments

(a) Service charges

As at 31 December 2011, 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 2014. Total committed service charges payable to STARL and to Fox are analysed as follows:

	2011 $'000	2010 $'000
Not later than one year	**10,362**	19,884
Later than one year and not later than five years	**1,309**	9,747
	11,671	29,631

(b) Operating lease

As at 31 December 2011, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2011 $'000	2010 $'000
Not later than one year	**116,341**	88,596
Later than one year and not later than five years	**450,978**	262,032
Later than five years	**75,388**	121,437
	642,707	472,065

(c) Capital commitments

As at 31 December 2011, the Group had capital commitments as follows:

	2011 $'000	2010 $'000
Authorised but not contracted for	**300,350**	173,194
Contracted but not provided for	**307,584**	487,220
	607,934	660,414

(d) Other commitments

As at 31 December 2011, the Group had other operating commitments under various agreements as follows:

	2011 $'000	2010 $'000
Not later than one year	**61,889**	33,049
Later than one year and not later than five years	**97,324**	34,122
Later than five years	**–**	2,294
	159,213	69,465

42. 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)	2011 $'000	2010 $'000
Service charges paid/payable STARL	a, b	19,084	19,872
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	4,470	4,478
Film license fees paid/payable to Fortune Star and Fortune Star Media	f, n	3,326	1,517
Licence fee paid/payable to NGC	f, n	1,056	–
Service charges received/receivable from Asia Television Limited ("ATV")	d, e	–	978
Service charges paid/payable to Fox	f, g	411	532
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	h, i	1,036	996
Service charges received/receivable from CMCC Group	j, k	170,463	133,438
Service charges paid/payable to the CMCC Group	j, l	82,319	34,024
Advertising sales to the CMCC Group	j, m	49,684	42,387
Key management compensation	iii	31,492	27,906

Notes:

(a) STARL, is a wholly-owned subsidiaries of STAR Group Limited, which owns 100% of Star Entertainment Holdings Limited (formerly known as 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.

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2010: 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 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.

42. Related Party Transactions (Continued)

(i) (Continued)

Notes: (Continued)

(f) Fox, Fortune Star, Fortune Star Media and NGC are associates of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company.

(g) 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.

(h) BSkyB is 39.14% owned by News Corporation, which indirectly owns 100% of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company.

(i) 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.

(j) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.69% of the issued share capital of the Company.

(k) Service charges received/receivable from CMCC Group related to advertising income and wireless income which are charged on terms specified in the agreements.

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

(m) 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.

(n) The license fees are charged in accordance with the agreements with Fortune Star, Fortune Star Media and NGC regarding rights for films and contents respectively.

(ii) Year end balances arising from related party transactions as disclosed in Note 42(i) above were also disclosed in Note 26.

(iii) Key management compensation

	2011 $'000	2010 $'000
Salaries	14,040	13,280
Discretionary bonuses	10,398	8,450
Housing allowance	5,760	4,950
Pension costs	1,294	1,226
	31,492	27,906

43. Contingent Liabilities

The Group is in negotiation with a music royalties collecting society regarding the payment of certain royalties. The Group believes that the likelihood of a material outflow in settlement of the royalties may not be probable.

44. Subsequent Events

On 20 February 2012, the Group entered into a loan agreement with a bank with principal amount of RMB58,000,000. The loan, which was fully drawn down on 29 February 2012, matures on 19 February 2013 and bears interest at 7.872% annually. The loan is secured by the land in Chaoyang Park together with the development site.

45. Comparative Figures

The 2010 comparative figures of operating expenses and revenue have been reclassified to conform to the current year's presentation.

Financial Summary

Consolidated Results

	Year ended 31 December 2011 $'000	Year ended 31 December 2010 $'000 (Note 45)	Year ended 31 December 2009 $'000	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Results					
Revenue	**3,639,445**	2,565,390	1,519,648	1,375,829	1,172,686
Operating expenses	**(2,273,489)**	(1,527,189)	(992,155)	(931,277)	(797,962)
Selling, general and administrative expenses	**(453,607)**	(315,245)	(202,383)	(164,544)	(128,300)
Other (expenses)/income, net	**(756,352)**	(170,042)	53,612	53,175	82,750
Profit before income tax and non-controlling interests	**155,997**	552,914	378,722	333,183	329,174
Income tax expense	**(229,460)**	(108,490)	(76,735)	(57,594)	(50,640)
(Loss)/profit before non-controlling interests	**(73,463)**	444,424	301,987	275,589	278,534
Non-controlling interests	**6,578**	(22,602)	(2,241)	11,235	215
(Loss)/profit attributable to owners of the Company	**(66,885)**	421,822	299,746	286,824	278,749

Consolidated Assets and Liabilities

	As at 31 December				
	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Total assets	**6,188,929**	3,825,883	2,716,942	2,111,386	1,635,542
Total liabilities	**(1,305,946)**	(1,368,592)	(658,039)	(281,945)	(225,753)
Non-controlling interests	**(1,317,514)**	(250,213)	(227,611)	(223,826)	(24,424)
Equity attributable to owners of the Company	**3,565,469**	2,207,078	1,831,292	1,605,615	1,385,365

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