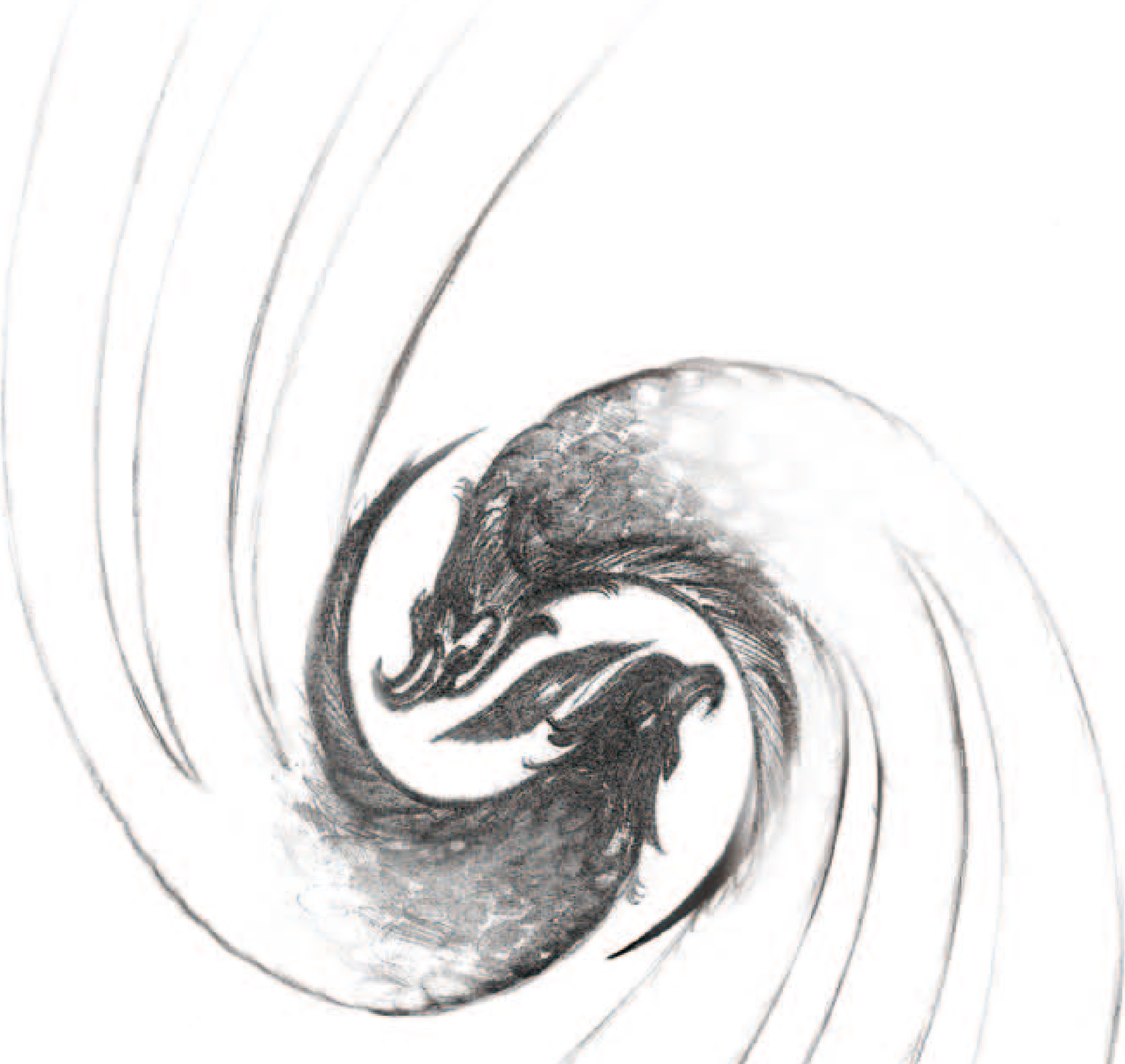
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02008



Annual Report 2012

Mission Statement

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

By performing these functions, Phoenix fulfills its mission of bringing China closer to the world and the world closer to China.

Contents

2012 Annual Highlights

JANUARY

1 18 January

A formal reception at the Phoenix Headquarters celebrated the initial broadcasting of Phoenix U Radio and the opening of the Phoenix Cultural Products Display Chamber. The Hong Kong Chief Executive Donald Tsang, the Deputy Head of the Central Liaison Unit, Huang Lanfa, and the Deputy Head of the Foreign Ministry's office in Hong Kong were among those who attended the event.

MARCH

2 28 March

In order to celebrate the sixteenth anniversary of Phoenix Satellite Television and the first anniversary of Phoenix Hong Kong Channel, the Hong Kong Jockey Club cooperated with Phoenix to hold a "Phoenix Cup" race at the Happy Valley race course.

APRIL

3 19 to 21 April

Phoenix served as the host for the 2012 International Academy Day, an annual event that the International Academy of Television Arts and Sciences holds in a different global city each year. On this occasion 65 television, film and media executives from the Americas, Europe, Africa, the Middle East and the Asia-Pacific made a three-day tour of Hong Kong and Shenzhen that was organized by Phoenix, and which featured tours of scenic locations and meetings with senior officials in both Hong Kong and Shenzhen.

4 24 April

At the 55th New York Film Festival two Phoenix documentaries, "China Sizzles --- The Way Out to Address Climate Change" --- won the Silver World Medal in the category group of Documentary/Information Program and "The Way Home – A Motorcycle Journey" received the Finalist Certificate in the category of Social Issues/Current Events.

SEPTEMBER

5 27 September

Phoenix is named as one of "Asia's Most Influential Brands" by "World Entrepreneur Magazine". This was the seventh year running Phoenix has appeared on the list, and was graded 44 places higher than last year. It was also ranked as one of the four most powerful media brands. Earlier in the year Phoenix had also been rated as one of the 500 Most Valuable Brands in China by the World Brand Laboratory.

OCTOBER

6 27 October

Phoenix held the 2012 Miss Chinese Cosmos Pageant in Hong Kong. The twelve finalists competed before the panel of judges by performing multiple tasks. Miss Zhang Ziqi from Australia won the first prize, and the second and third prizes went to Miss Xu Jing from Tianjin and Miss Ding Xiaosen from Canada.

NOVEMBER

7 November

At the 2012 International Media Awards event hosted in London by the International Broadcasting Association, Phoenix received The High Level Award for the Best Real-Time News Report for its coverage of the Wenzhou Express Train accident. The committee of judges considered that this news report had a high level of news sensitivity and at the same time had full coverage.

30 November

One of Phoenix's leading international reporters, Ms Theresa Fu Xiaotian, received the International News Media Contribution Award on the Cambridgelist of the Most Distinguished Chinese People in the World in 2012 for her reporting on a range of international events including the wedding in the British royal family and the conflict in Libya.

1


4x5 FILM

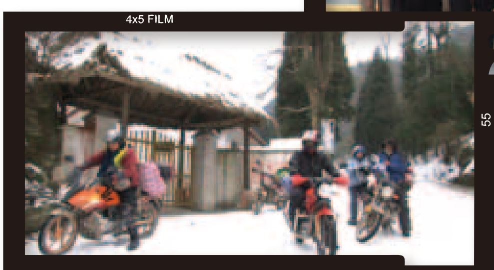
2


Film 5015

3


4x5 FILM

4


4x5 FILM

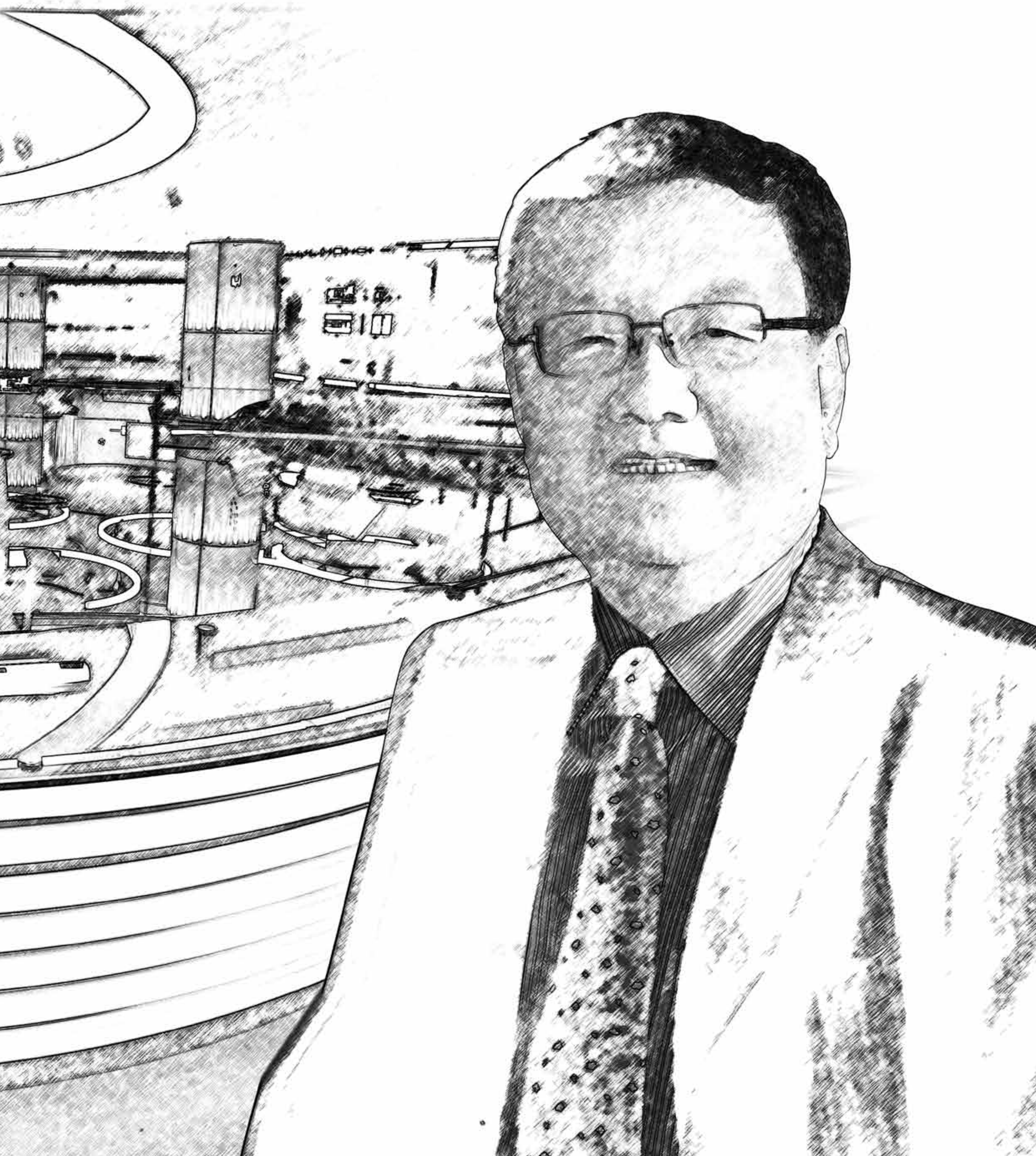

亚洲：全球经济的增长引擎
世界经理人峰会
Film 5015

5


4x5 FILM

6

Chairman's Statement



The Group's revenue and operating profit for the year ended 31 December 2012 were approximately HK$4,336,360,000 and HK$1,098,061,000 respectively, which represented an increase of respectively 19.1% and 20.4% over the same period last year.

Financial Summary

- Revenue for the year ended 31 December 2012 was approximately HK$4,336,360,000, which represented an increase of 19.1% over the previous year.
- Operating profit for the year ended 31 December 2012 was approximately HK$1,098,061,000, which represented an increase of 20.4% over the previous year.
- Profit attributable to owners of the Company was approximately HK$833,367,000.
- The Board recommended a final dividend of 5.1 Hong Kong cents per share.

Results

The revenue of Phoenix Satellite Television Holdings Limited ("Company") and its subsidiaries ("Group" or "Phoenix") for the year ended 31 December 2012 was approximately HK$4,336,360,000, which represented a 19.1% growth over the previous year. Operating costs increased by 18.7% to approximately HK$3,238,299,000. The upward movement in operating costs was mainly due to the expansion of the new media and the outdoor media businesses.

The operating profit of the Group for the year ended 31 December 2012 was approximately HK$1,098,061,000, which represented an increase of 20.4% over the previous year. The main driver behind this result was the growth in the television broadcasting business.

Fair value gains of approximately HK$43,703,000 (year ended 31 December 2011: HK$127,488,000) and HK$104,000 (year ended 31 December 2011: Nil) were recognised for the investment property under construction in Beijing and the investment property in London respectively.

The profit attributable to owners of the Company was approximately HK$833,367,000 (year ended 31 December 2011: the loss attributable to owners of the Company after charging the non-cash fair value loss and interest accretion of the preferred shares issued by Phoenix New Media Limited was approximately HK$66,885,000).

The chart below summarises the performance of the Group for the year ended 31 December 2012 and the year ended 31 December 2011 respectively.

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Television broadcasting	**2,373,509**	2,072,307
New media	**1,382,433**	1,113,711
Outdoor media	**512,362**	386,559
Real estate	**929**	–
Other businesses	**67,127**	66,868
Group's total revenue	**4,336,360**	3,639,445
Operating costs	**(3,238,299)**	(2,727,096)
Operating profit	**1,098,061**	912,349
Non-cash fair value loss and interest accretion of Preferred Shares	**–**	(964,713)
Fair value gains on investment properties	**43,807**	127,488
Other income, net	**49,814**	84,664
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	**1,191,682**	159,788
Share of results of jointly controlled entities and an associate	**3,659**	(3,791)
Income tax expense	**(248,056)**	(229,460)
Profit/(loss) for the year	**947,285**	(73,463)
Non-controlling interests	**(113,918)**	6,578
Profit/(loss) attributable to owners of the Company	**833,367**	(66,885)
Basic earnings/(losses) per share, Hong Kong cents	**16.69**	(1.34)

BUSINESS OVERVIEW AND PROSPECTS

The Group performed well over the 2012 financial year, with results that represented a significant improvement over the previous year. This underscores that the Group's business strategy has the capacity to operate very effectively in the current economic environment, and develop new areas of business such as new media and outdoor media while continuing to maintain a very effective and profitable television broadcasting business which remains the Group's fundamental component.

While this year has not seen the dramatic political developments that made last year's reporting of international political events so spectacular, with first-hand coverage of the collapse of Mubarak's government in Egypt and the civil war in Libya, Phoenix has continued to provide viewers with a detailed account of international developments. While Phoenix has been unable to secure access for its reporters to enter Syrian territory and report on the continuing violence there, it has continued to monitor and report on developments there from neighbouring countries.

Phoenix has also followed the rising regional tensions between China and Japan over the Diaoyudao islands. Phoenix reporting team has also followed developments in the immediate vicinity of the islands themselves, and was the only media organization that reported first-hand on the journey to the Diaoyudao islands by a Hong Kong fishing vessel.

Phoenix has also provided extensive coverage of the presidential elections in Taiwan, Russia and the United States, as well as the process of selecting the new Chief Executive in the Hong Kong SAR.

Besides its comprehensive coverage of international developments, the Group's television channels have continued to provide a steady stream of entertainment programmes, interviews with a wide range of celebrities and other prominent figures, and features on art, cooking and fashion.

The international recognition of the quality of the programmes that the Group has produced has been underscored by a series of awards that Phoenix documentaries have received at the New York Film Festival, the Chicago International Film Festival, and the Telly Awards. The Group's international status was also demonstrated in April when it acted as the host for the International Academy Day, an annual event that the International Academy of Television Arts and Sciences holds in a different global city each year. On this occasion 65 television, film and media executives from the Americas, Europe, Africa, the Middle East and the Asia-Pacific made a three-day tour of Hong Kong and Shenzhen that was organized by Phoenix, and which featured tours of scenic locations and meetings with senior officials in both Hong Kong and Shenzhen.

The Group's television business has also benefited from the rapid growth in the audience that has been developed by the new media business, which provides wide-spread access to much Phoenix television programming and at the same time attracts many viewers as a consequence of its own distinctive material. The Group's outdoor media enterprise is also beginning to perform well as economic growth in China's major cities increases the requirement for large-scale outdoor advertising.

As the Group has become more widely known the headquarters in Taipo have received a steady stream of VIP visitors from mainland China, Taiwan, Hong Kong as well as from Western countries including the United States, Britain, Australia and other regional countries. The company has established a small but efficient guest reception office that guides visitors on a tour of the headquarters, explains the Group's operations to visitors and ensures that they gain a clear understanding of the significance of the Phoenix brand.

Phoenix is also placing an increasing emphasis on corporate social responsibility. The Group's management believes that as a successful enterprise the Group must fulfill its social responsibilities and make a contribution to society. The Group's involvement in charity has consequently developed significantly, and it now raises money for the care of ill and disadvantaged children and makes documentaries about health and social problems people can encounter and the environmental problems that China in particular is facing.

The Group's performance in 2012 has been very encouraging, and generates a strong sense of confidence that these positive trends will continue well into the coming year.

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 and SingTel 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.

New Zealand

Phoenix is carried by WorldTV in New Zealand.

Africa

Phoenix is carried by the TELSTAR-12 satellite.

South Africa

Phoenix is now carried on the SATMEX-6 satellite.

North America

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

Europe

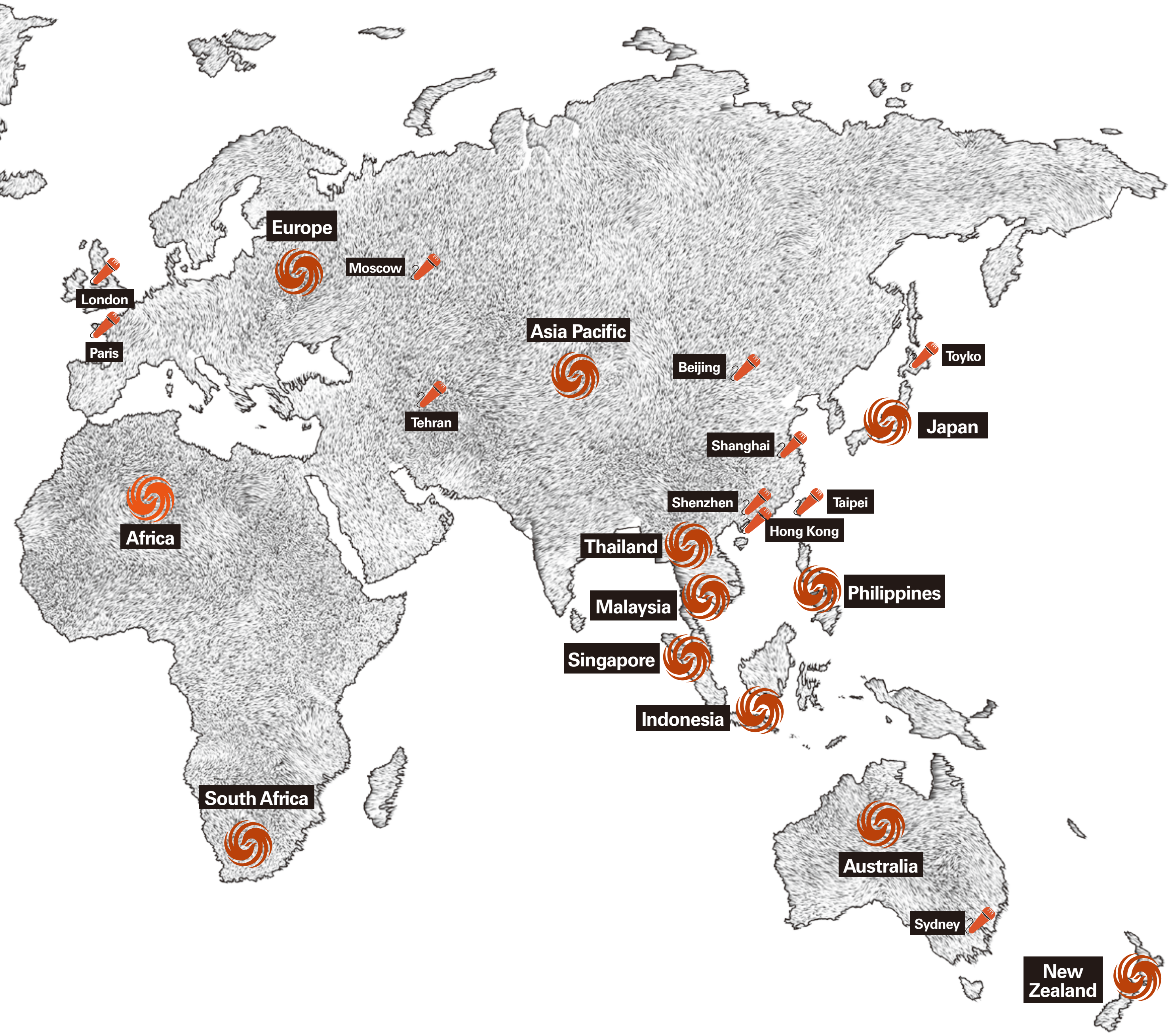
Phoenix Chinese News and Entertainment, the Phoenix European Channel, is carried by Sky Digital, Eurobird 6, and a number of other national cable systems in Europe.

Central and South America

Phoenix is now available on cable from Columbus in Jamaica.

Phoenix Satellite TV global reach

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



Phoenix Chinese Channel

資訊台 Phoenix InfoNews Channel

Phoenix Movies Channel

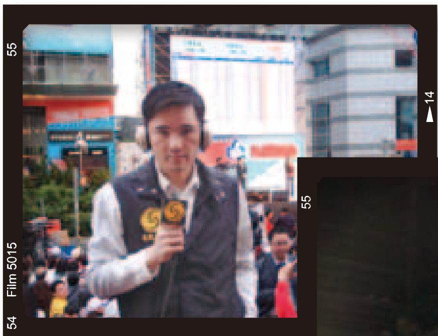
Phoenix NA Chinese Channel

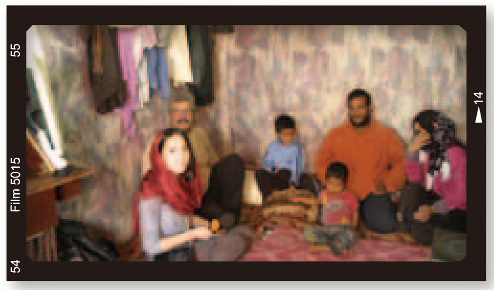
Phoenix CNE Channel

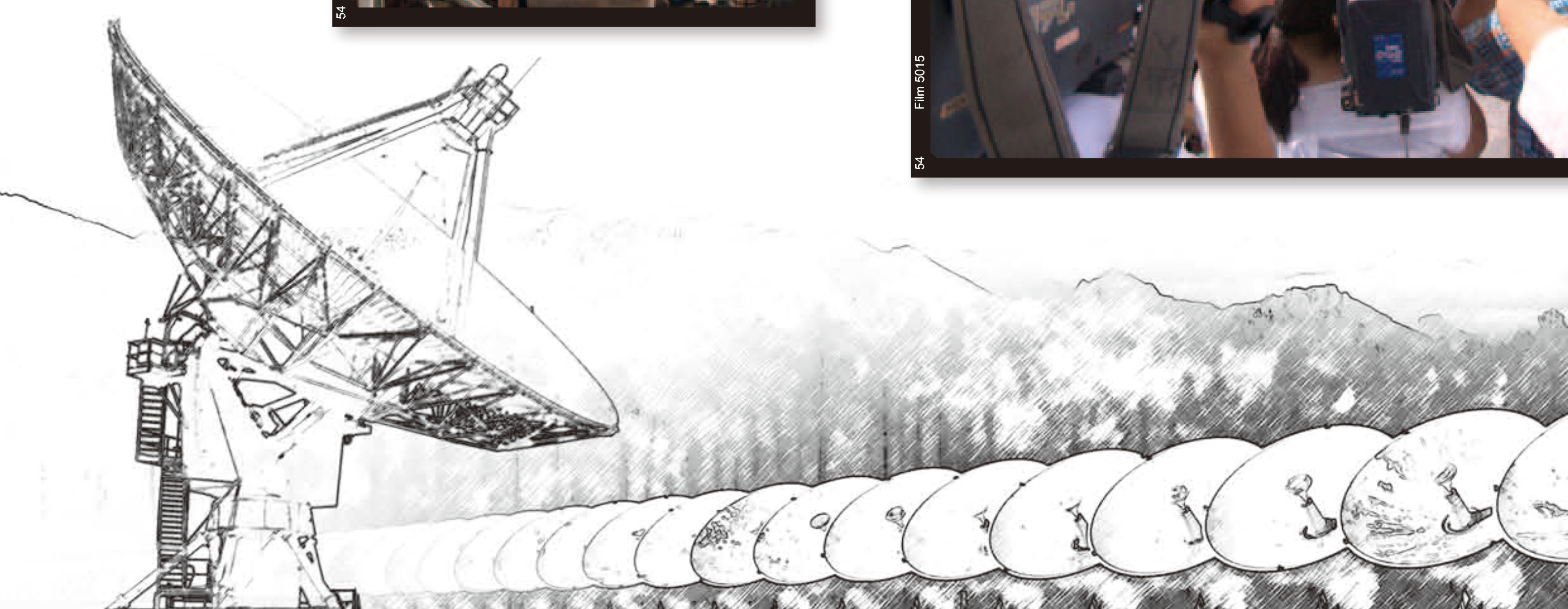
Phoenix Hong Kong Channel

Global Outlook

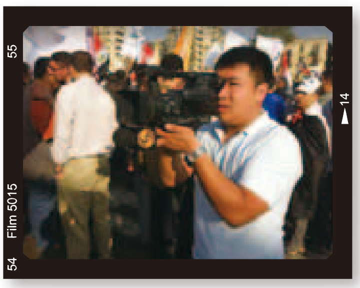
Phoenix has a global outlook, and in its approach to news reporting it seeks to provide the Chinese audience with real-time information about the major events and developments in the Greater China region and the world at large. Fundamental to this approach is the belief that no one is isolated from global developments and that the Phoenix audience needs to have accurate information about key international events as they occur. While 2012 did not see the dramatic political developments that made the previous year's international reporting so spectacular, with first-hand coverage of the collapse of Mubarak's government in Egypt and the civil war in Libya that ended with the fall of the Gaddafi regime, Phoenix has continued to provide viewers with a detailed account of international developments. Phoenix reporting has followed the continuing European financial crisis, including

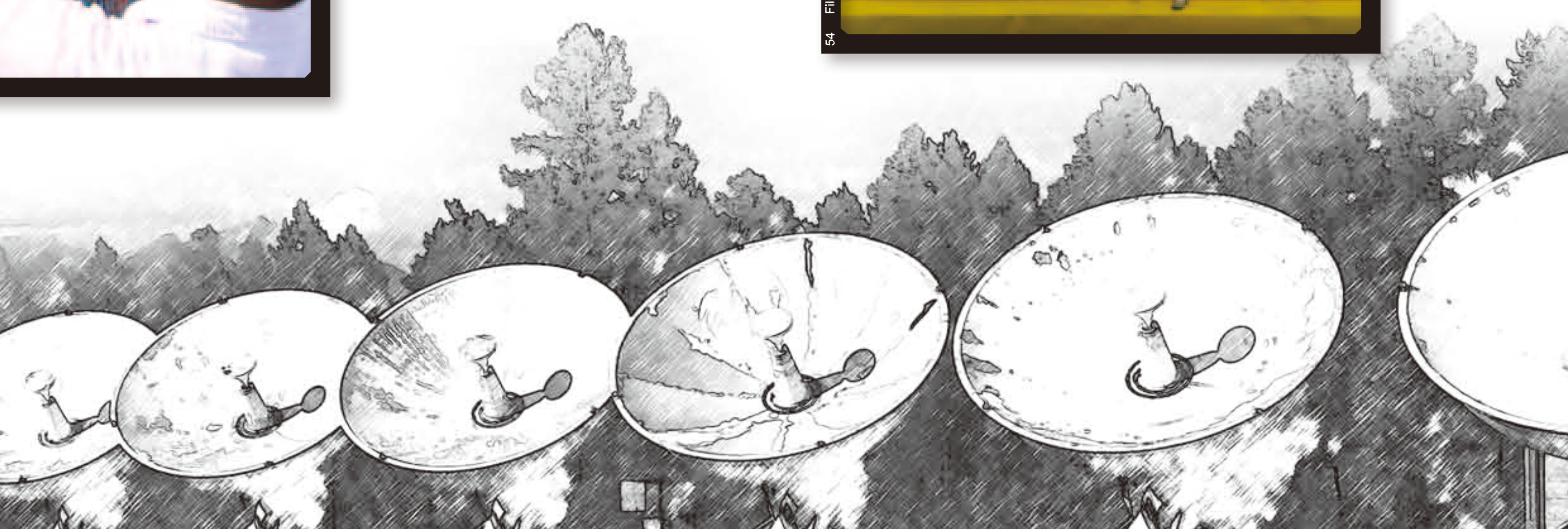






the attempts of the European Union to devise policies that will help resolve the financial crisis in Greece, the rising regional tensions between China and Japan over the Diayudao islands and the competing territorial claims between China and its neighbours in the South China Sea. While Phoenix has been unable to secure access for its reporters to enter Syrian territory and report first-hand on the civil war there, it has reported on the violent conflict between anti-Assad forces and the President's regime from neighbouring countries. Phoenix has also provided extensive coverage of the presidential elections in Taiwan, Russia, and the United States, as well as the process of selecting the new Chief Executive in the Hong Kong SAR.





A Global Team

The Mainland

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.


Dou Wentao


Olivia Xu


Chen Luyu


Shen Xing


Ren Ren


Li Hui


Ma Bin


Yang Shu


Jay Wan


Dong Jiayao


Liang Yin


Lany Tian


Yang Juan


Wang Luxiang


Nicolas Li


Bai Yanqin


Chen Xiaonan

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

A Global Team
The Mainland


Yang Shuang


Yuchi Linjia


Rachel Zhao


Huang Cheng Zi


An Dong


Lu Chen

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.

Avon Hsieh

Chiang Shengyang

Sally Wu

Shannon Liu

Coco Chen

Shih Chiping

Vie Tseng

Jason Chien

Jade Lin

Tiger Hu

Ivy Chu

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.

Ada Lau

Lawrence Ho

Li Wei

Ma Ding Shing

Rose Luqiu

Du Ping

Zheng Hao

A Global Team
Hong Kong and rest of the World

Ngai Yee Shan

Michelle Lo

Jonathan Sa

Law Chen Pang


Sammy Chin


Cheng Kai Nam


Toni Wong


Vienna Cheuk


Lily Siu


Chan Wing Luk


Ma Ka Fai

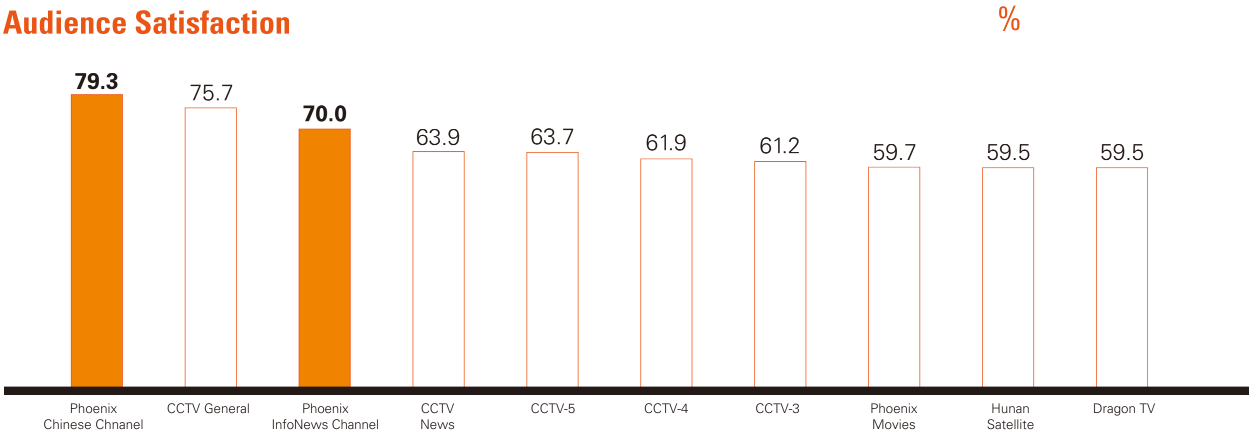
The Chinese Gateway

- According to the 2012 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 eighteenth time in which Phoenix Chinese Channel has ranked at the top of the Audience Satisfaction chart.

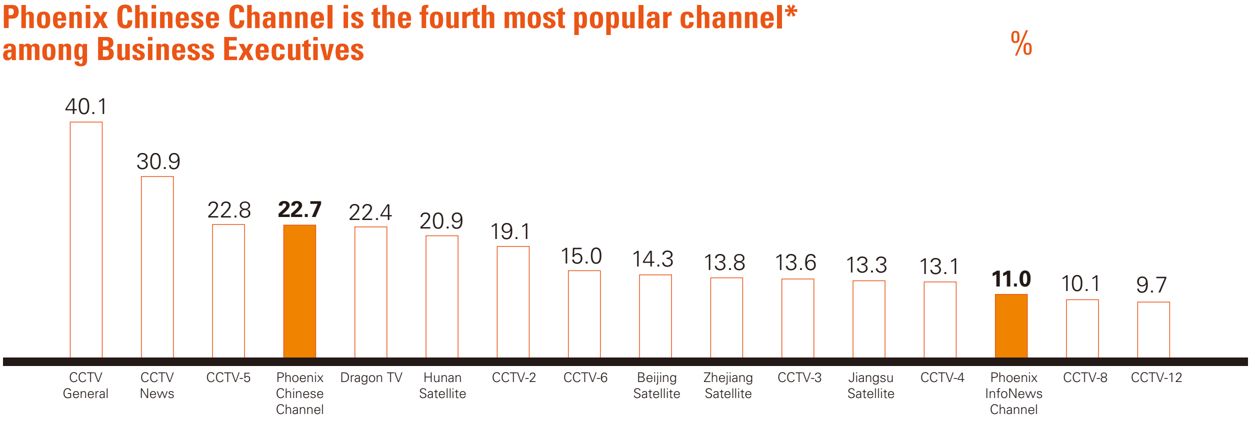
- Phoenix Chinese Channel and Phoenix InfoNews Channel achieve a very high level of audience attention in offices or hotels. This high level of attention shows that Phoenix Satellite Television has a clear position among office staff, and also demonstrates that the information and news content of Phoenix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

- In 2012, Phoenix Chinese Channel's daily viewing among business executives saw 28% year-on-year growth, and maintained at No.4 nationwide channel. Phoenix InfoNews Channel's daily viewing among business executives rose 18% when comparing to the previous year. These figures clearly demonstrate the extensive influence that Phoenix Satellite Television enjoys among Chinese Business Executives.

Audience Satisfaction

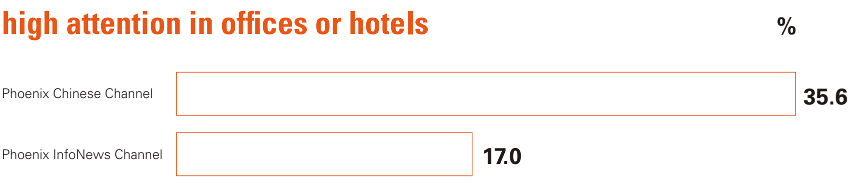


Phoenix Chinese Channel is the fourth most popular channel* among Business Executives



* Nationwide channel

Phoenix Chinese Channel receives high attention in offices or hotels



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
FANG Fenglei

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

Nomination Committee
Thaddens Thomas BECZAK (Chairman)
LEUNG Hok Lim
CHUI Keung

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
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar
Hong Kong Registrars Limited
Shops 1712-1716, 17th 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

Comments on Segmental Information

	Year ended 31 December			
	2012		2011	
	Revenue HK$'000	**Segment result HK$'000**	Revenue HK$'000	Segment result HK$'000
Television broadcasting	**2,373,509**	**1,239,016**	2,072,307	1,026,351
New media	**1,382,433**	**143,911**	1,113,711	(818,111)*
Outdoor media	**512,362**	**110,854**	386,559	85,177
Real estate	**929**	**28,583**	–	118,662
Other businesses	**67,127**	**(27,862)**	66,868	7,186
Group's total revenue and segment results	**4,336,360**	**1,494,502**	3,639,445	419,265
Unallocated income		**17,770**		35,565
Unallocated expenses		**(320,590)**		(295,042)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		**1,191,682**		159,788

* The segmental loss of new media for the year ended 31 December 2011 was a consequence of the deduction of interest accretion and changes in fair value of the preference share liability of approximately HK$964,713,000.

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 54.7% of the total revenue of the Group for the year ended 31 December 2012, increased by 14.5% to approximately HK$2,373,509,000 (year ended 31 December 2011: HK$2,072,307,000). The segmental result for television broadcasting recorded a profit of approximately HK$1,239,016,000 for the year ended 31 December 2012 (year ended 31 December 2011: HK$1,026,351,000).

Phoenix Chinese Channel and Phoenix InfoNews Channel accounted for 50.2% of the total revenue of the Group for the year ended 31 December 2012 and showed an increase of 14.9% to approximately HK$2,177,873,000 (year ended 31 December 2011: HK$1,896,099,000).

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 11.0% as compared to the previous year to approximately HK$195,636,000 (year ended 31 December 2011: HK$176,208,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunication networks, contributed to raising the profile of the Group as a television broadcaster. The revenue of the new media business for the year ended 31 December 2012 increased by 24.1% to HK$1,382,433,000 (year ended 31 December 2011: HK$1,113,711,000). The segmental profit was HK$143,911,000 (year ended 31 December 2011 after deduction of interest accretion and changes in fair value of the preference share liability: loss of HK$818,111,000). The operating profit, which represents profit before tax, other income and expenses decreased to HK$101,136,000 was primarily due to the increase in operating cost which include staff-related costs, sales and marketing promotions expenses and office rental fees (year ended 31 December 2011: HK$105,290,000). Phoenix new media has been continuously investing in content, staff and marketing to further strengthen the vertical channels of ifeng.com, in order to further drive traffic growth, particularly increasing user loyalty, growing the number of daily unique visitors and diversifying the brand's image.

The revenue of the outdoor media business increased by 32.5% to approximately HK$512,362,000 (year ended 31 December 2011: HK$386,559,000). The segmental profit of outdoor media business was approximately HK$110,854,000 (year ended 31 December 2011: HK$85,177,000 after deduction of share-based compensation expenses of approximately HK$25,714,000).

The segmental result for real estate included the fair value gains of approximately HK$43,807,000 (year ended 31 December 2011: HK$127,488,000) which were recognised for the investment properties.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the Business Overview and Prospects in the Chairman's Statement for commentary on the core business of the Group.

Dividends

After considering the sustainable profitability of the Group's core television broadcasting business, the board of directors (the "Directors" or the "Board") recommend the payment of a final dividend of 5.1 Hong Kong cents per ordinary share of the Company ("Share"), representing an increase of 21.4% as compared to the final dividend for 2011 of 4.2 Hong Kong cents, totaling approximately HK$254,698,000 to be payable to shareholders whose names appear on the register of members of the Company on 14 June 2013. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 28 June 2013.

There was an aggregate distribution of 8 Hong Kong cents per Share for the year of 2011, including special dividend and final dividend of 3.8 Hong Kong cents and 4.2 Hong Kong cents per Share respectively.

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 6 June 2013 (Thursday) at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2013 to Thursday, 6 June 2013 (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, 31 May 2013.

The register of members of the Company will be also closed from Thursday, 13 June 2013 to Friday, 14 June 2013 (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 Tuesday, 11 June 2013.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2012 remained solid as recurring cash flows from the businesses of the Group continued to remain steady and strong. As at 31 December 2012, the Group had cash and cash deposits totaling about HK$3,113,751,000 (as at 31 December 2011: HK$2,624,482,000). The aggregate outstanding borrowings of the Group were approximately HK$631,352,000 (as at 31 December 2011: HK$480,117,000), representing amounts due to related companies which were unsecured and non-interest bearing, unsecured and non-interest bearing loans from non-controlling shareholders of a subsidiary and secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 37.2% as at 31 December 2012 (as at 31 December 2011: 36.6%). The net cash and cash equivalents balance after deduction of the total liabilities was HK$1,133,996,000 as at 31 December 2012 (as at 31 December 2011: HK$239,540,000).

Save as disclosed above, the financial position of the Group remained liquid. As most of the monetary assets of the Group 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 2012, the land in Chaoyang Park, Beijing, together with the development site, with carrying value of approximately HK$116,000,000, HK$315,000,000 and HK$889,000,000 (as at 31 December 2011: HK$117,000,000, HK$203,000,000 and HK$676,000,000) recorded in lease premium for land, construction in progress and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the construction work on the Phoenix International Media Centre in Beijing. As at 31 December 2011, deposits of approximately HK$3,124,000 were pledged with banks to secure banking guarantees given to the landlord of a subsidiary.

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2012 and 31 December 2011.

CAPITAL STRUCTURE

During the year ended 31 December 2012, other than the exercise of share options granted, there was no change in the share capital of the Company. As at 31 December 2012, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of a subsidiary and banking facilities.

STAFF

As at 31 December 2012, the Group employed 2,799 full-time staff (as at 31 December 2011: 2,529) at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2012 increased to approximately HK$961,970,000 (year ended 31 December 2011: HK$865,439,000).

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 2012, the Group invested in listed security investments with an estimated fair market value of approximately HK$24,819,000 (as at 31 December 2011: HK$18,011,000). Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2012.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group is currently considering a possible spin-off and separate listing of Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited), a subsidiary engaged in the outdoor media business in China. For details, please refer to the announcement of the Company 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 2012, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any Shares during the year ended 31 December 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the year ended 31 December 2012.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LIU Changle, aged 61, 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 ("Phoenix HK") 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 and the "Business Person of the Year Award" by the DHL/SCMP Hong Kong Business Awards 2012.

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 a member of the National Committee of the Chinese People's Political Consultative Conference, and 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. He is a Standing Committee Member of the Twelfth 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.

Mr. CHUI Keung, aged 61, appointed on 5 June 2000, is the executive Director and deputy chief executive officer of the Company. He is also a member of the Nomination Committee 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 Phoenix, 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 64, appointed on 29 September 2006 as executive Director of the Company. 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).

Non-executive Directors

Mr. SHA Yuejia, aged 55, appointed on 19 August 2010 as non-executive Director of the Company, 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 the vice president of China Mobile Communications Corporation, a director of China Mobile Communication Co., Ltd, a non-executive director of Shanghai Pudong Development Bank Co., Ltd. and the 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 over 30 years of experience in the telecommunications industry.

Mr. GAO Nianshu, aged 49, appointed on 29 September 2006 as non-executive Director of the Company, is also a member of the Remuneration Committee and a director of Phoenix HK. Mr. GAO is currently the general manager of marketing department of China Mobile Communications Corporation. Mr. GAO previously served as general manager of data service department of China Mobile Communications Corporation, 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 42, appointed on 30 November 2009 as non-executive Director of the Company, 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 channels, pay TV platforms and 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, a board member of Tata Sky, an Indian Direct-to-Home platform and chairman of the board 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, 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 the George Washington University in Washington D.C., and also holds a Masters of Management, with a Major in Finance, from Hautes Etudes Commerciales (H.E.C.) in Paris.

Mr. CHEUNG Chun On, Daniel, aged 53, 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 and a director of certain subsidiaries of the Company. Mr Cheung is currently the chief consultant of the Taiwan office of Satellite Television Asian Region Limited ("STARL"), assisting the development of its Chinese content in Asia. 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).

From 2008 to 2012, Mr. CHEUNG was the chief executive officer of the Taiwan office of STARL and the 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 50, appointed on 12 January 2007 as non-executive Director of the Company, is also a director of certain subsidiaries of the Company. Mr. GONG is currently 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 66, appointed on 5 June 2000 as independent non-executive Director, is also a member of the Remuneration Committee of the Company. Dr LO 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 an independent non-executive director of Shanghai Industrial Holdings Limited, China Mobile Limited and City e-Solutions Limited. Dr. LO is the 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.

Mr. LEUNG Hok Lim, aged 77, appointed on 21 January 2005 as independent non-executive Director, is also a member respectively of Audit, Nomination and Remuneration Committees of the Company. Mr. LEUNG 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 62, is an independent non-executive Director and a member of the Audit Committee of the Company since 11 March 2005. He is also a member respectively of the Nomination and Remuneration Committees of the Company. Mr. BECZAK is currently the vice chairman of China Renaissance Holdings Limited and the chairman of China Renaissance Securities (Hong Kong) Limited. 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 Singapore Exchange Limited and Pacific Online Limited.

Prior to joining China Renaissance group, he had been vice chairman of Cowen and Company, LLC. 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 the 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.

Mr. FANG Fenglei, aged 61, appointed on 13 March 2013 as independent non-executive Director of the Company, is currently chairman of HOPU Investment Management Co., Ltd. and chairman of Goldman Sachs Gaohua Securities Company Limited. Mr. FANG previously served as a deputy chief executive officer of China International Capital Corporation Limited and chief executive officer of both BOC International Holdings Limited and ICEA Finance Holdings Limited. Mr. FANG was also a non-executive director of China Mengniu Dairy Company Limited and an independent non-executive director of Central China Real Estate Limited. Mr. FANG holds a Bachelor of Arts degree from Sun Yat-sen University.

Alternate Directors

Dr. GAO Jack Qunyao, aged 54, 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. He is also a director of Bona Film Group Limited. 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 45, appointed as alternate Director to Mr. Jan KOEPPEN, non-executive Director of the Company on 30 November 2009, is general counsel, Asia, News Corporation and a director of Star Group Limited. 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 53, 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 57, 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

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 (the "CG Code"), 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") of 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.

For the purpose of complying the revised Listing Rules on 1 January 2012 and 1 April 2012 and the changes in the Code on 1 April 2012 (the "Revised Code"), the Company had revised its own CG Code and adopted most of the Revised Code as its own CG Code with effect from 1 April 2012.

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control process. The Board had also monitored the progress on corporate governance practices of the Company throughout the year under review. The following summaries the corporate governance practices of the Company and explanations of deviations from the Code.

Unless otherwise disclosed herein, the Company, has throughout the year ended 31 December 2012 complied with the Code.

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision

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 business of 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 Board committees, 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, non-executive Directors should be appointed for a specific term, subject to re-election and all Directors appointed to fill casual vacancy should be subject to election by Shareholders at first general meeting after their appointment. Every Director, including those appointed for a specific terms, 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 numbers 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 above-mentioned required standard of dealings regarding directors' securities transactions throughout the year ended 31 December 2012.

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

Responsibilities

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.

Composition

The Board comprised three executive Directors, five non-executive Directors and three independent non-executive Directors as at 31 December 2012, which was below the standard as set in Listing Rule 3.10A, where the number of independent non-executive Directors represented less than one-third of the Board. An announcement dated 4 January 2013 was published to acknowledge the non-compliance under Rule 3.10A. However, the Board had tried its best to identify a suitable candidate and Mr. FANG Fenglei, was appointed as an independent non-executive Director by the Board on 13 March 2013.

As at the date of this report, the composition of the Board comprises three executive Directors, five non-executive Directors and four independent non-executive Directors and with the number of independent non-executive Directors representing more than one-third of the Board. The brief biographical details of each of the Directors are set out on page 27 to page 31 of 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 their confirmation of independence as required by the Listing Rules.

BOARD OF DIRECTORS (Continued)

Board meetings and general meetings

The Board meets at least four times a year to review the financial and operating performance of the Group. There were four Board meetings, one annual general meeting and two general meetings held in financial year ended 31 December 2012.

Details of individual director's attendance at board meetings ("BMs"), the annual general meeting ("AGM") and two general meetings ("GMs") are as follows:

Name of Director attended or eligible to attend	BMs	AGM	GMs
Executive Directors			
Mr. LIU Changle (Chairman and CEO)	3/4	0/1	0/2
Mr. CHUI Keung	4/4	1/1	2/2
Mr. WANG Ji Yan	1/4	0/1	0/2
Non-executive Directors			
Mr. GAO Nianshu	4/4	0/1	0/2
Mr. SHA Yuejia	3/4	0/1	0/2
Mr. GONG Jianzhong	3/4	0/1	0/2
Mr. Jan KOEPPEN	1/4	0/1	0/2
Mr. CHEUNG Chun On, Daniel	3/4	0/1	0/2
Independent non-executive Directors			
Dr. LO Ka Shui	3/4	0/1	0/2
Mr. LEUNG Hok Lim	4/4	1/1	1/2
Mr. Thaddeus Thomas BECZAK	4/4	0/1	1/2
Mr. FANG Fenglei *	n/a	n/a	n/a
Alternate Directors			
Dr. GAO Jack Qunyao (alternate to CHEUNG Chun On, Daniel)	0/4	0/1	0/2
Ms. Ella Betsy WONG (alternate to Jan KOEPPEN)	2/4	0/1	0/2

* Mr. Fang Fenglei was appointed on 13 March 2013

During the regular meetings held on 15 March, 22 May, 17 August and 15 November of year 2012 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.

Liability insurance for Directors and senior management officers of the Company is maintained by the Company with appropriate coverage for liabilities which may arise in the course of performing their duties.

BOARD OF DIRECTORS (Continued)

Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company had arranged an in-house training for Directors covering the topics on the inside information disclosure requirements under the Securities and Futures Ordinance and continuing and connected transactions under Chapter 14A of the Listing Rules. Reference materials were from time to time provided to Directors to update them with the relevant laws and Listing Rules. At the end of each financial year, each Director is required to provide a summary of training records to the Company. As at the date of this report, all directors have submitted their training records to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance report.

The Board has reviewed the policy and practices in accordance with the Revised Code and its own CG Code.

BOARD COMMITTEES

Audit Committee

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

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.

For the purpose of complying with the Revised Code with effect from 1 April 2012, the Board adopted the revised terms of reference of the Audit Committee on 28 March 2012 and it is available on both the websites of the Company and the Stock Exchange.

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.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

As at the date of this report, the Audit Committee had held two meetings. Details of the attendance record of the Audit Committee meetings are as follows:

Name of Director	Attended/ Eligible to attended
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. CHEUNG Chun On, Daniel	2/2

The Audit Committee reviewed the Group's interim and annual results in year 2012 with management and the Company's external auditor and recommended their adoption to the Board. They had also reviewed the audit plans, internal control performance as well as the effectiveness of the internal control system.

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 "Remuneration Committee").

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 currently 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.

As at the date of this report, one meeting of the Remuneration Committee was held and was attended by the following members:

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

During the year under review, the Remuneration Committee reviewed the renewed services contracts of Mr. LIU Changle and Mr. CHUI Keung and had recommended to the Board to approve and ratify the renewed services contracts. They had also reviewed and recommended to the Board the bonus payments for year 2012 and the increment in salary and housing allowance for year 2013 for the executive Directors and staff.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

For the purpose of complying with the Revised Code, the Board adopted the revised terms of reference of the Remuneration Committee on 28 March 2012 which included the adoption of a model where Remuneration Committee will play an advisory role whilst Board retains full authority on all issues proposed. The revised term of reference of the Remuneration Committee is now available on the both the websites of the Company and the Stock Exchange.

Nomination Committee

The Company established a nomination committee on 28 March 2012 with written terms of reference in compliance with the Revised Code and is now available on the both the websites of the Company and the Stock Exchange (the "Nomination Committee").

The primarily functions of the Nomination Committee are to review the structure, size and composition of the Board, access the independence of independent non-executive Directors and to review the proposed appointment of new director(s) and make recommendations to the Board.

The nomination committee comprises two independent non-executive Directors namely, Mr. Thaddeus Thomas BECZAK and Mr. LEUNG Hok Lim and one executive Director namely Mr. CHUI Keung.

As at the date of this report, one meeting of the Nomination Committee was held and was attended by the following members:

Name of Director	**Attended/ Eligible to attended**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	1/1
Mr. LEUNG Hok Lim	1/1
Executive Director	
Mr. CHUI Keung	1/1

The Nomination Committee had reviewed the nomination of a proposed candidate to be an additional independent non-executive Director and recommended to the Board to approve his appointment. Also, they had reviewed the size and composition of the Board, the independence of independent non-executive Directors and recommended to the Board the retiring Directors standing for re-election at the forthcoming AGM.

Ad Hoc Committee

The Company 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 internal processes for the Group.

The Internal Audit reports functionally to the Audit Committee on significant risk 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 escalated timely to senior management and the audit committee for assessment and rectifications.

In 2012, 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 2012, 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 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 AGM.

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

	31 December 2012 **HK$**	31 December 2011 HK$
Audit Service	**11,586,000**	8,667,000
Audit-related Service	**–**	6,622,000
Non-audit Service	**1,387,000**	140,000
Tax Service	**448,000**	345,000
Total	**13,421,000**	15,774,000

COMPANY SECRETARY

Mr. YEUNG Ka Keung, was appointed as a company secretary of the Company on 25 April 2000. Since he was appointed during the period from 1 January 2000 to 31 December 2004, he is not required to comply with Rule 3.29 of the Listing Rules in relation to professional training until the financial year commencing on 1 January 2013.

Shareholders' Rights

Procedures for Shareholders to propose the convening of extraordinary general meeting(s)

Pursuant to Article 58 of the article of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to propose a person for election as a director

Pursuant to Article 88 of the articles of association of the Company, no person other than a Director of the Company retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Shareholder (other than he in person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Office or at the head office for a minimum period of (7) days. The minimum period of seven (7) days for lodgment of the notice referred to in paragraph (1) of this Article will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than (7) days prior to the date of such meeting.

Accordingly, if a Shareholder of the Company wishes to propose a person other than a retiring Director for election as a Director of the Company at the AGM, the relevant documents must be lodged at the registered office or head office of the Company to the attention of the Company Secretary for a minimum seven (7) day period commencing no earlier than the day after the dispatch of the notice of the meeting.

For further details of the procedures, please refer to an announcement published on both the websites of the Company and the Stock Exchange on 28 March 2012.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Board has a high regard on investor relationship in particular, fair disclosure, comprehensive and transparent reporting.

Shareholders are encouraged to attend the AGM and other general meeting and the Directors always make efforts to fully address any questions raised by the Shareholders at each AGM and general meeting.

A shareholders' communication policy was adopted by the Board on 28 March 2012. It aims at setting out the objectives of ensuring Shareholders, both individual and institutional, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with Company. The policy will be under review in order to ensure its effectiveness.

On the other hand, 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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS (Continued)

Shareholders may at any time send their enquiries either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, to the head office of the Company at the following address, facsimile number or via email:

No. 2-6 Dai King Street, Tai Po Industrial Estate
Tai Po, New Territories, Hong Kong
Fax: (852) 2200 8340
Email: hkcss@phoenixtv.com

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

13 March 2013

Corporate Social Responsibility Report

At a speech at a charity event, Mr. LIU Changle, the chairman of the Board and chief executive officer of the Company said, "Charity care is a respectable virtue of a civilised nation and society, as well as a fine disposition of a citizen in pursuit of self-excellence. Phoenix is obliged to participate in public welfare services. We are proud to say that, today, Phoenix is cultivating a prominent team of colleagues who adhere to traditional Chinese cultures and contribute persistent efforts in our beliefs and dreams".

The management of Phoenix strongly believes that a successful enterprise must fulfil its social responsibilities and uphold its ethics. To be a true outstanding enterprise, not only does it have to maintain good business performance, more importantly, it has to gain the recognition and respect of the entire society. These are the values that Phoenix has been adhering to. In 2012, Phoenix made its contributions to society through a series of practical actions in the areas of charity and community involvement, culture exchange, environmental protection and sustainability, and staff care. Capitalising on its own media strengths, Phoenix produced several public welfare and environmental protection related TV programmes from the perspective on corporate social responsibilities.

This report is the first Corporate Social Responsibility Report ("CSR Report") published by the Company, setting out the performance of Phoenix in corporate social responsibilities for 2012, and also serves as a communication bridge between the Company and its Shareholders in respect of the philosophy, practice and performance of corporate social responsibilities.

Charities and Community Involvement

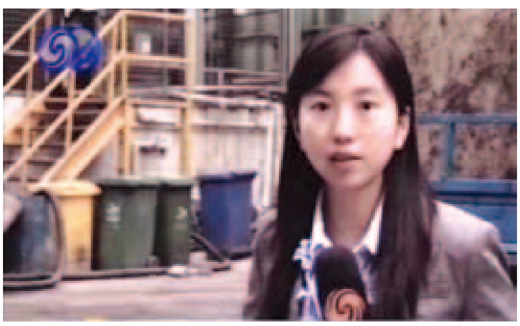
As to community involvement, Phoenix places its emphasis on caring for and supporting poor children in China.

In July 2012, Phoenix spearheaded the "China Rural Serious Illness Children Medicare Charity Foundation" and raised RMB300,000 (approximately HK$366,000) for such foundation. The foundation is a special foundation under "China Charities Aid Foundation for Children", aiming to raise funds through various parties including caring enterprises, caring entrepreneurs, local governments and insurers to purchase commercial medical insurance for school-age children in trial regions so as to minimise the burden of sick children families and better safeguard the rights of rural children to a healthy life. The first trial region is Hefeng County, Hubei Province, which is one of the state's poor counties. After the completion of coverage of this Medicare of serious illness, sick children families are entitled to a maximum of RMB200,000 for commercial medical compensation in addition to the compensation from local social insurance, providing local children with feasible health protection.

Charities and Community Involvement (Continued)

Phoenix attaches great concerns to the education of poor children in China. In 2012, Phoenix New Media Limited organised the "Children Education Sponsorship Programme" for the fourth year in a row. This year, we visited the primary schools in the poor areas in Huxiang. Volunteers delivered electronic teaching devices and sports equipment for the students in such poor areas with a view to improving the teaching environment of the schools and developing fundamental education in the poor areas. In addition, at the "Medicare of Serious Illness Charity Night" event held in September 2012, donations from live auction amounting to RMB8.12 million will be used for the "China Rural Serious Illness Children Medicare Charity Foundation" project.

A documentary "Journalist on the Spot: China Dolls – Fragile Bodies, Strong Minds" produced by Phoenix described the stories of three sick children with osteogenesis imperfect (also known as "brittle bone disease"), depicting the shocking scenes of sick children tortured by such rare disease in the remote areas in China, which calls for society's awareness on and support for those 100,000 brittle bone disease patients and 10 million carriers of rare diseases in China. In March 2012, the documentary won two bronze awards – "Social Responsibility" and "Public Hygiene" at the 33rd Annual Telly Awards. In April 2012, it won the Silver Hugo TV Award (Investigative Reporting/News Documentary category) at the 48th Chicago International Film Festival.



A feature story news programme produced by Phoenix "News Zone: The Secret Truth of Hogwash Oil – Unravelling the Chain of Deception" revealed the publicly known "hidden rule" of trading hogwash oil in the black market in the catering industry where our undercover reporters brought to light the black chain from hogwash oil collection, processing to trading in black market, and discussed the regulatory loopholes and solutions to tackle the problem. At the same time, it called for society's regulation of and awareness on such issue. The feature story news programme won the Silver Hugo TV Award (Investigative Reporting/News Documentary) at the 48th Chicago International Film Festival in April 2012.

In September 2012, Phoenix donated US$50,000 (approximately HK$387,000) to the Brookings Institution, US Think Tank, for the establishment of "Centre for Northeast Asian Policy Studies" to carry out researches on the prevention of natural disasters, solutions and international aids as well as the strategic decision for national safety of Northeast Asian countries.

鳳凰網 公益
gongyi.ifeng.com

Charities and Community Involvement (Continued)

In addition, Phoenix New Media Limited opens a public welfare channel http://gongyi.ifeng.com in its portal website (www.ifeng.com), providing instant news, updates, welfare salons and seminars on public welfare and environmental protection, and reporting on the public welfare events organised by the community, enterprises and celebrities.

Culture Exchange

In January 2012, Phoenix and the National Centre for the Performing Arts jointly organised "The Spring Festival Musical Gala For Chinese Around The World 2012". Renowned Chinese musicians locally and overseas were invited and the concepts of globalisation were blended into the music performance, including care and praise for the nature, and envisaging for social and universal harmony. The ticketing revenue of Phoenix amounting to RMB414,000 (approximately HK$508,000) was donated to the "Phoenix Charity Caring Foundation" managed by the China Charity Federation for organising charitable and public welfare activities.

In April 2012, Phoenix donated NT$8 million (approximately HK$2 million) to the National Palace Museum, Taiwan, to drive the cultural exchange between Mainland China and Taiwan as well as organise culture related exhibitions, education promotions and academic seminars.

In December 2012, Phoenix and the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") entered into a 5-year "Strategic Partnership for Culture of Peace Programme" agreement. Under such agreement framework, Phoenix shall donate US$1 million within 5 years to the Culture of Peace Programme, and work with UNESCO extensively in areas including sustainable development between humanity and culture, cultural heritage protection in chaotic countries, poverty elimination, global children education and ecological environmental protection with an aim to fulfil social responsibilities on a worldwide level.

Environmental Protection and Sustainability

In January 2012, an ecological documentary "Global Walk" jointly produced by The State Forestry Administration and Phoenix aired its pilot episode, expounding the ecological protection and development of the forest industry in China in a multi-perspective and multi-layered manner to explore the way for sustainable development of the forest industry.

Another feature story TV programme "China Sizzles – The Way Out to Address Climate Change" aired by Phoenix looked into the environment and climate, and recommended solutions to tackle the changing climate in China. The programme won the silver world medal in the environment and ecology category at the 55th New York International Film and TV Festival in April 2012.

In March 2012, Phoenix donated GBP85,000 (approximately HK$1 million) to The Prince's Foundation for Building Community, founded by The Prince of Wales, with the theme of urban environmental protection and society's sustainable development.

Staff Care

Phoenix adopts a people-oriented strategy and each staff is given a fair opportunity and competitive remuneration packages. Given the depreciation of Hong Kong dollars against RMB, coupled with the increasing inflation worldwide, since October 2011, Phoenix's Hong Kong headquarter has been paying staff salaries in RMB to alleviate the pressure as a result of depreciation of Hong Kong dollars and inflation. In addition, Phoenix offers 3-day paid paternity leave to male staff since 2001, which is in line with the request for paternity leave in Hong Kong in recent years. As to health and safety of employees, Phoenix purchases group medical, personal accident, life insurance and business trip insurance plans with global coverage for employees.

For staff's individual development and training, Phoenix has put in place staff training and sponsorship programmes to subsidise staff taking courses and seminars relating to their work so as to enhance their knowledge and skills as well as help them adding value.

As to work environment, Phoenix's Hong Kong headquarter has large-scale greening, landscaping and recreational facilities to provide staff with a favourable work environment. Phoenix also arranges a variety of leisure activities such as health seminars and interest classes with purpose of enhancing the work-life balance of employees and increasing their sense of belonging to the company.

Looking Ahead

In May 2012, Phoenix was awarded the title of one of the "Most Respected Companies of China" jointly issued by Peking University Case Research Centre and The Economic Observer for 11 years in a row. It is the only media enterprise that is granted with such an honour consecutively since the launch of the award. It also won the title of "Corporate Social Responsibility Enterprise of the Year". Looking ahead, Phoenix will endeavour to fulfil its corporate social responsibilities while pursuing better business performance and value maximisation for Shareholders; capitalising on its media advantages and social role model, and create excellent media credibility through care for humanity and social responsibilities.

The full text of the CSR Report has been verified by the Internal Audit department of the Group, with purpose of providing independent and objective assurance on the accuracy, reliability and completeness of the contents set out in the CSR Report. The Internal Audit department considers that the CSR Report reflects the performance of Phoenix in respect of corporate social responsibilities in a reliable and clear manner and the representations contained therein are true and accurate. Your feedbacks regarding this report are welcomed and could be sent to the Group's CSR communication channel at csr@phoenixtv.com.

Report of 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 2012.

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 79.

The Directors recommend the payment of a final dividend of 5.1 Hong Kong cents per ordinary share, totaling approximately HK$254,698,000 to be payable to Shareholders whose names appear on the register of members of the Company on 14 June 2013. Subject to the passing of the relevant resolution at the AGM, the final dividend will be payable on or around 28 June 2013.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 3 June 2013 to Thursday, 6 June 2013 (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, 31 May 2013.

The register of members of the Company will be also closed from Thursday, 13 June 2013 to Friday, 14 June 2013 (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 4:30p.m. on Tuesday, 11 June 2013.

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$6,009,000 (2011: HK$38,000).

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

Details of the movement in investment properties 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 2012, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$760,745,000 (2011: HK$974,234,000).

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 166.

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 9.87% 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, 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 a committee and will be no less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet from 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 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)

(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 2012**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2012**
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	6,470,000	–	–	6,470,000
Total:					7,070,000	–	(600,000)	6,470,000

During the year ended 31 December 2012, 600,000 options granted to an employee were exercised. At the date before the options were exercised, the weighted average market price was HK$2.88.

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

During the year ended 31 December 2012, 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:

					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 2012	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2012
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	4,048,000	–	–	–	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
554 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	90,000,000	–	(1,140,000)	–	88,860,000
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
Total:					109,538,000	–	(1,140,000)	–	108,398,000

During the year ended 31 December 2012, 1,140,000 options granted to 20 employees were lapsed when they ceased employment with the Company. Save as disclosed above, no option 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) Summary of 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.

Purpose of the scheme

The purpose 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 on 20 June 2008, being the effective date of the PNM Share Option Scheme.

On 8 June 2012, the Shareholders approved to refresh and renew the scheme mandate limit of the PNM Share Option Scheme and any other share option schemes of PNM to enable grant of further options to subscribe for up to 31,410,107 Class A ordinary shares of PNM, representing 10% of Class A ordinary shares of PNM in issue ("PNM Shares") on 8 June 2012.

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.

The maximum entitlement of each participant under the scheme

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

Share Option Schemes (Continued)

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

(1) Summary of PNM Share Option Scheme (Continued)

Time of exercise of option

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

The amount payable on acceptance of the option

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

The basis of determining the exercise price

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

The remaining life of the scheme

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

During the year ended 31 December 2012, 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 2012, 4,887,757 options granted to 87 employees were exercised at US$0.03215 per share. At the date before the options were exercised, the weighted average market price was US$0.67.

Share Option Schemes (Continued)

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

(1) Summary of PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year ended 31 December 2012, 456,870 options granted to 15 employees were 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 2012**	**Granted during the year**	**Lapsed/ cancelled during the year**	**Exercised during the year**	**Balance as at 31 December 2012**
Employees	2008.07.04	2008.07.04-2018.05.25	$0.03215	11,357,425	–	–	(3,186,975)	8,170,450
	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	–	–	(6,000)	24,000
	2008.07.04	2008.07.31-2018.05.25	$0.03215	1,200	–	–	–	1,200
	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	17,625	–	–	(11,625)	6,000
	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	15,000	–	–	–	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	2008.09.13-2018.05.25	$0.03215	3,375	–	–	(3,375)	–
	2008.07.04	2008.09.17-2018.05.25	$0.03215	39,000	–	–	(22,500)	16,500
	2008.07.04	2008.09.24-2018.05.25	$0.03215	24,000	–	–	(24,000)	–
	2008.07.04	2008.10.08-2018.05.25	$0.03215	20,000	–	–	(8,000)	12,000
	2008.07.04	2008.10.10-2018.05.25	$0.03215	4,500	–	–	–	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	12,375	–	–	(5,625)	6,750
	2008.07.04	2008.10.24-2018.05.25	$0.03215	24,000	–	–	–	24,000
	2008.07.04	2008.11.19-2018.05.25	$0.03215	30,000	–	–	(30,000)	–
	2008.07.04	2008.12.03-2018.05.25	$0.03215	22,000	–	–	(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	87,500	–	–	(87,500)	–
	2008.07.04	2009.01.15-2018.05.25	$0.03215	439,504	–	–	–	439,504
	2008.07.04	2009.02.14-2018.05.25	$0.03215	94,250	–	–	(94,250)	–
	2008.07.04	2009.02.15-2018.05.25	$0.03215	19,500	–	–	(19,500)	–
	2008.07.04	2009.02.25-2018.05.25	$0.03215	9,000	–	–	(6,000)	3,000
	2008.07.04	2009.02.26-2018.05.25	$0.03215	9,375	–	–	(6,000)	3,375

Share Option Schemes (Continued)

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

(1) Summary of 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 2012	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Balance as at 31 December 2012
	2008.07.04	2009.02.29-2018.05.25	$0.03215	2,625	–	–	(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	47,743	–	–	(27,650)	20,093
	2008.07.04	2009.03.17-2018.05.25	$0.03215	12,225	–	–	(9,750)	2,475
	2008.07.04	2009.03.19-2018.05.25	$0.03215	28,000	–	–	(28,000)	–
	2008.07.04	2009.03.21-2018.05.25	$0.03215	12,376	–	–	(376)	12,000
	2008.07.04	2009.03.24-2018.05.25	$0.03215	22,625	–	–	(2,625)	20,000
	2008.07.04	2009.03.25-2018.05.25	$0.03215	13,750	–	–	–	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	2009.04.15-2018.05.25	$0.03215	4,000	–	–	–	4,000
	2008.07.04	2009.04.21-2018.05.25	$0.03215	1,200	–	(150)	(1,050)	–
	2008.07.04	2009.04.23-2018.05.25	$0.03215	4,875	–	–	(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	7,562	–	–	(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	21,563	–	–	(4,875)	16,688
	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	347,987	–	–	(150,000)	197,987
	2008.11.26	2009.11.26-2018.05.25	$0.03215	400,000	–	(100,000)	(300,000)	–
	2009.07.31	2009.07.31-2018.05.25	$0.03215	55,200	–	(18,750)	(36,000)	450
	2009.07.31	2010.01.04-2018.05.25	$0.03215	781,250	–	–	–	781,250
	2009.07.31	2010.02.11-2018.05.25	$0.03215	32,000	–	(6,000)	(26,000)	–
	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	2010.03.11-2018.05.25	$0.03215	32,000	–	(6,000)	–	26,000
	2009.07.31	2010.03.16-2018.05.25	$0.03215	16,000	–	–	–	16,000
	2009.07.31	2010.03.17-2018.05.25	$0.03215	32,000	–	–	–	32,000
	2009.07.31	2010.04.27-2018.05.25	$0.03215	5,250	–	–	–	5,250
	2009.07.31	2010.05.08-2018.05.25	$0.03215	50,312	–	(10,938)	(24,062)	15,312
	2009.07.31	2010.05.18-2018.05.25	$0.03215	100,625	–	–	–	100,625

Share Option Schemes (Continued)

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

(1) Summary of 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$)	Number of share options: Balance as at 1 January 2012	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Balance as at 31 December 2012
	2009.07.31	2010.05.25-2018.05.25	$0.03215	19,687	–	–	(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	9,000	–	–	–	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	–	(125,782)	(276,718)	–
	2009.07.31	2010.07.25-2018.05.25	$0.03215	24,000	–	(9,000)	(15,000)	–
	2009.09.15	2010.09.15-2018.05.25	$0.03215	2,069,100	–	(155,250)	(347,577)	1,566,273
	2010.01.08	2011.01.08-2018.05.25	$0.03215	104,400	–	–	–	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	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	–	(2,500)	(7,500)	–
	2010.07.01	2010.09.15-2018.05.25	$0.03215	26,000	–	–	–	26,000
	2010.07.01	2010.10.09-2018.05.25	$0.03215	5,000	–	–	–	5,000
	2010.07.01	2011.02.21-2018.05.25	$0.03215	300,000	–	–	–	300,000
	2010.07.01	2011.06.07-2018.05.25	$0.03215	93,750	–	–	–	93,750
	2010.07.01	2011.07.01-2018.05.25	$0.03215	921,875	–	(22,500)	(17,500)	881,875
Total:				19,341,696	–	(456,870)	(4,887,757)	13,997,069

(2) 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.

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

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				
Type of remaining grantees	Date of grant	Vesting commence date	Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
Employees	2011.03.17	2009.04.01	1,826,035	–	(160,738)	(1,131,091)	534,206
	2011.03.17	2009.04.02	563	–	–	(375)	188
	2011.03.17	2009.04.03	563	–	(375)	(188)	–
	2011.03.17	2009.04.10	375	–	–	(250)	125
	2011.03.17	2009.04.13	375	–	–	(250)	125
	2011.03.17	2009.04.17	15,600	–	–	(10,400)	5,200
	2011.03.17	2009.04.23	3,750	–	–	(2,500)	1,250
	2011.03.17	2009.04.24	4,313	–	(375)	(2,688)	1,250
	2011.03.17	2009.04.27	563	–	(375)	(188)	–
	2011.03.17	2009.05.04	1,875	–	(1,250)	(625)	–
	2011.03.17	2009.05.07	563	–	(188)	(375)	–
	2011.03.17	2009.05.08	24,375	–	(18,125)	(6,250)	–
	2011.03.17	2009.05.15	563	–	(563)	–	–
	2011.03.17	2009.05.22	2,250	–	(1,500)	(750)	–
	2011.03.17	2009.06.01	375	–	(125)	(250)	–
	2011.03.17	2009.06.15	188	–	(188)	–	–
	2011.03.17	2009.06.21	3,000	–	–	(2,000)	1,000
	2011.03.17	2009.06.22	11,250	–	–	(7,500)	3,750
	2011.03.17	2009.06.26	2,250	–	(625)	(1,500)	125
	2011.03.17	2009.06.29	3,750	–	–	(2,500)	1,250
	2011.03.17	2009.07.02	10,000	–	–	(5,000)	5,000
	2011.03.17	2009.07.03	750	–	(563)	(187)	–
	2011.03.17	2009.07.06	500	–	(375)	(125)	–
	2011.03.17	2009.07.07	750	–	(375)	(375)	–
	2011.03.17	2009.07.10	2,500	–	(1,250)	(1,250)	–
	2011.03.17	2009.07.16	5,250	–	(2,688)	(2,562)	–
	2011.03.17	2009.07.20	250	–	–	(125)	125
	2011.03.17	2009.07.21	750	–	–	(375)	375
	2011.03.17	2009.07.23	25,000	–	–	(12,500)	12,500
	2011.03.17	2009.07.24	10,000	–	(7,500)	(2,500)	–
	2011.03.17	2009.07.27	250	–	–	(125)	125
	2011.03.17	2009.07.29	250	–	–	(125)	125
	2011.03.17	2009.08.03	500	–	–	(250)	250
	2011.03.17	2009.08.07	5,000	–	–	(2,500)	2,500

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

			No. of RSU				
Type of remaining grantees	Date of grant	Vesting commence date	Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
	2011.03.17	2009.08.10	500	–	(376)	(124)	–
	2011.03.17	2009.08.12	5,000	–	–	(2,500)	2,500
	2011.03.17	2009.08.14	750	–	(563)	(187)	–
	2011.03.17	2009.08.21	750	–	–	(375)	375
	2011.03.17	2009.08.31	10,000	–	(7,500)	(2,500)	–
	2011.03.17	2009.09.01	250	–	–	(125)	125
	2011.03.17	2009.09.04	8,000	–	–	(4,000)	4,000
	2011.03.17	2009.09.07	1,000	–	(500)	(250)	250
	2011.03.17	2009.09.08	25,000	–	(18,750)	(6,250)	–
	2011.03.17	2009.09.09	15,000	–	(11,250)	(3,750)	–
	2011.03.17	2009.09.18	10,750	–	–	(5,375)	5,375
	2011.03.17	2009.09.23	25,000	–	–	(12,500)	12,500
	2011.03.17	2009.10.09	20,750	–	(10,000)	(10,375)	375
	2011.03.17	2009.10.12	15,000	–	(11,250)	(3,750)	–
	2011.03.17	2009.10.23	50,000	–	–	(25,000)	25,000
	2011.03.17	2009.10.30	1,750	–	(563)	(812)	375
	2011.03.17	2009.11.02	25,500	–	(500)	(12,500)	12,500
	2011.03.17	2009.11.04	5,500	–	–	(2,750)	2,750
	2011.03.17	2009.11.06	500	–	–	(250)	250
	2011.03.17	2009.11.09	500	–	–	(250)	250
	2011.03.17	2009.11.13	1,250	–	–	(625)	625
	2011.03.17	2009.11.15	250	–	–	(125)	125
	2011.03.17	2009.11.16	250	–	–	(125)	125
	2011.03.17	2009.11.20	2,500	–	–	(1,250)	1,250
	2011.03.17	2009.11.23	750	–	–	(375)	375
	2011.03.17	2009.11.24	9,000	–	–	(4,500)	4,500
	2011.03.17	2009.12.07	500	–	–	(250)	250
	2011.03.17	2009.12.09	500	–	–	(250)	250
	2011.03.17	2009.12.11	10,000	–	–	(5,000)	5,000
	2011.03.17	2009.12.21	1,250	–	(375)	(500)	375
	2011.03.17	2009.12.28	5,250	–	(250)	(2,500)	2,500
	2011.03.17	2009.12.29	60,000	–	(60,000)	–	–
	2011.03.17	2010.01.04	93,750	–	–	(37,500)	56,250
	2011.03.17	2010.01.07	31,250	–	(18,750)	(12,500)	–
	2011.03.17	2010.01.08	16,563	–	–	(6,625)	9,938
	2011.03.17	2010.01.15	26,563	–	(15,000)	(10,625)	938
	2011.03.17	2010.01.18	625	–	–	(250)	375

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	No. of RSU: Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
	2011.03.17	2010.01.20	31,250	–	–	(12,500)	18,750
	2011.03.17	2010.01.21	1,251	–	(250)	(438)	563
	2011.03.17	2010.01.22	313	–	(250)	(63)	–
	2011.03.17	2010.01.27	6,250	–	–	(2,500)	3,750
	2011.03.17	2010.02.01	6,250	–	–	(2,500)	3,750
	2011.03.17	2010.02.05	1,563	–	(750)	(438)	375
	2011.03.17	2010.02.11	625	–	–	(250)	375
	2011.03.17	2010.02.20	938	–	(250)	(313)	375
	2011.03.17	2010.02.21	313	–	(250)	(63)	–
	2011.03.17	2010.02.24	12,500	–	–	(5,000)	7,500
	2011.03.17	2010.02.25	938	–	–	(375)	563
	2011.03.17	2010.02.26	938	–	(750)	(188)	–
	2011.03.17	2010.03.01	6,875	–	(375)	(2,750)	3,750
	2011.03.17	2010.03.02	625	–	(625)	–	–
	2011.03.17	2010.03.03	31,250	–	(31,250)	–	–
	2011.03.17	2010.03.05	3,750	–	(3,750)	–	–
	2011.03.17	2010.03.08	62,500	–	–	(25,000)	37,500
	2011.03.17	2010.03.10	31,250	–	–	(12,500)	18,750
	2011.03.17	2010.03.12	625	–	–	(250)	375
	2011.03.17	2010.03.15	938	–	(563)	(375)	–
	2011.03.17	2010.03.18	1,876	–	–	(750)	1,126
	2011.03.17	2010.03.19	6,564	–	–	(2,625)	3,939
	2011.03.17	2010.03.21	313	–	–	(125)	188
	2011.03.17	2010.03.22	6,250	–	(5,000)	(1,250)	–
	2011.03.17	2010.03.23	31,875	–	(500)	(12,625)	18,750
	2011.03.17	2010.03.26	9,689	–	(1,688)	(3,313)	4,688
	2011.03.17	2010.03.29	19,688	–	(250)	(7,813)	11,625
	2011.03.17	2010.04.06	3,126	–	–	(1,250)	1,876
	2011.03.17	2010.04.12	1,251	–	–	(500)	751
	2011.03.17	2010.04.13	938	–	–	(375)	563
	2011.03.17	2010.04.16	2,501	–	–	(1,000)	1,501
	2011.03.17	2010.04.19	625	–	–	(250)	375
	2011.03.17	2010.04.21	1,251	–	–	(500)	751
	2011.03.17	2010.04.23	6,250	–	–	(2,500)	3,750
	2011.03.17	2010.04.26	14,064	–	–	(5,625)	8,439
	2011.03.17	2010.04.28	938	–	–	(375)	563
	2011.03.17	2010.04.29	93,750	–	–	(37,500)	56,250

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	No. of RSU Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
	2011.03.17	2010.05.04	8,752	–	(188)	(3,500)	5,064
	2011.03.17	2010.05.05	313	–	(188)	(125)	–
	2011.03.17	2010.05.10	18,750	–	(15,000)	(3,750)	–
	2011.03.17	2010.05.11	1,876	–	(938)	(375)	563
	2011.03.17	2010.05.14	7,813	–	(500)	(3,000)	4,313
	2011.03.17	2010.05.21	21,251	–	–	(8,500)	12,751
	2011.03.17	2010.05.24	626	–	–	(250)	376
	2011.03.17	2010.05.25	938	–	–	(375)	563
	2011.03.17	2010.05.26	313	–	–	(125)	188
	2011.03.17	2010.05.27	625	–	–	(250)	375
	2011.03.17	2010.05.28	19,688	–	(6,250)	(5,375)	8,063
	2011.03.17	2010.06.04	3,439	–	(2,626)	(438)	375
	2011.03.17	2010.06.07	625	–	–	(250)	375
	2011.03.17	2010.06.18	14,688	–	–	(5,875)	8,813
	2011.03.17	2010.06.21	13,754	–	(2,502)	(4,500)	6,752
	2011.03.17	2010.06.25	3,750	–	–	(1,500)	2,250
	2011.03.17	2010.06.28	2,189	–	(250)	(813)	1,126
	2011.03.17	2010.07.01	37,500	–	–	(12,500)	25,000
	2011.03.17	2010.07.02	4,125	–	(1,688)	(1,187)	1,250
	2011.03.17	2010.07.05	3,000	–	(2,439)	(561)	–
	2011.03.17	2010.07.06	2,625	–	(1,438)	(687)	500
	2011.03.17	2010.07.12	4,875	–	–	(1,625)	3,250
	2011.03.17	2010.07.13	16,500	–	(10,625)	(5,375)	500
	2011.03.17	2010.07.15	1,125	–	–	(375)	750
	2011.03.17	2010.07.16	1,125	–	–	(375)	750
	2011.03.17	2010.07.19	8,625	–	(938)	(2,687)	5,000
	2011.03.17	2010.07.20	10,875	–	(500)	(3,625)	6,750
	2011.03.17	2010.07.21	750	–	(625)	(125)	–
	2011.03.17	2010.07.26	2,250	–	–	(750)	1,500
	2011.03.17	2010.07.28	1,125	–	(938)	(187)	–
	2011.03.17	2010.07.30	1,125	–	–	(375)	750
	2011.03.17	2010.08.03	415,875	–	(250)	(138,875)	276,750
	2011.03.17	2010.08.10	7,500	–	(6,250)	(1,250)	–
	2011.03.17	2010.08.11	113,625	–	(938)	(37,687)	75,000
	2011.03.17	2010.08.16	1,125	–	–	(375)	750
	2011.03.17	2010.08.17	65,250	–	(6,250)	(20,500)	38,500
	2011.03.17	2010.08.23	1,875	–	(1,688)	(187)	–

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	No. of RSU: Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
	2011.03.17	2010.08.24	4,125	–	(625)	(1,250)	2,250
	2011.03.17	2010.08.30	1,125	–	–	(375)	750
	2011.03.17	2010.08.31	8,625	–	–	(2,875)	5,750
	2011.03.17	2010.09.01	750	–	(500)	(250)	–
	2011.03.17	2010.09.07	9,750	–	(625)	(3,125)	6,000
	2011.03.17	2010.09.08	1,500	–	(938)	(312)	250
	2011.03.17	2010.09.09	1,125	–	(938)	(187)	–
	2011.03.17	2010.09.10	1,125	–	–	(375)	750
	2011.03.17	2010.09.13	3,375	–	(1,688)	(937)	750
	2011.03.17	2010.09.14	16,500	–	(625)	(5,375)	10,500
	2011.03.17	2010.09.16	1,500	–	(938)	(312)	250
	2011.03.17	2010.09.20	4,125	–	(2,813)	(562)	750
	2011.03.17	2010.09.28	375	–	–	(125)	250
	2011.03.17	2010.10.08	76,875	–	(1,563)	(25,312)	50,000
	2011.03.17	2010.10.09	18,750	–	(15,625)	(3,125)	–
	2011.03.17	2010.10.11	750	–	–	(250)	500
	2011.03.17	2010.10.13	750	–	–	(250)	500
	2011.03.17	2010.10.21	1,500	–	(750)	(250)	500
	2011.03.17	2010.11.21	750	–	–	(250)	500
	2011.03.17	2010.11.22	37,500	–	(37,500)	–	–
	2011.03.17	2010.12.01	37,500	–	–	(12,500)	25,000
	2011.03.17	2011.01.04	100,000	–	(75,000)	(25,000)	–
	2011.03.17	2011.01.11	100,000	–	–	(37,500)	62,500
	2011.03.17	2011.02.14	60,000	–	–	(22,500)	37,500
	2011.03.17	2011.02.21	10,000	–	–	(3,750)	6,250
	2011.03.17	2011.03.01	90,000	–	–	(33,750)	56,250
Total:			4,256,608	–	(602,443)	(1,966,987)	1,687,178

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme (Continued)

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

Type of remaining grantees	Date of grant	Vesting commence date	No. of RS: Balance as at 1 January 2012	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2012
Liu Shuang (Note)	2011.03.17	2009.04.01	816,750	–	–	(544,500)	272,250
Li Ya (Note)	2011.03.17	2009.04.01	794,063	–	–	(529,375)	264,688
Employees	2011.03.17	2009.04.01	2,701,017	–	–	(1,800,675)	900,342
	2011.03.17	2010.02.20	37,500	–	–	(15,000)	22,500
	2011.03.17	2010.02.21	1,125,000	–	–	(450,000)	675,000
	2011.03.17	2010.10.08	300,000	–	(250,000)	(50,000)	–
	2011.03.17	2010.10.25	37,500	–	–	(12,500)	25,000
	2011.03.17	2010.12.01	3,225,000	–	–	(1,075,000)	2,150,000
	2011.03.17	2010.12.27	675,000	–	–	(225,000)	450,000
Total:			9,711,830	–	(250,000)	(4,702,050)	4,759,780

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.

Directors

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei

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, Mr. CHUI Keung, Mr. LEUNG Hok Lim and Mr. Jan KOEPPEN will retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Mr. FANG Fenglei, who was appointed on 13 March 2013 as independent non-executive Director, will hold office until the next general meeting following his appointment according to the articles of association of the Company, and his re-election will also be considered at the forthcoming AGM.

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 and also from Mr. FANG Fenglei the confirmation of his independence pursuant to Rule 3.13 of the Listing Rules as at the date of this report, the Company 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

A Standing Committee Member of the Twelfth National Committee of the Chinese People's Political Consultative Conference
Phoenix Culture Creation Industrial Investment Management Company Limited (Director)
Phoenix Culture Creation Management Company Limited (Director)
Phoenix Culture Creation Development Company Limited (Director)

Cessation of appointments

Phoenix Culture Creation Industrial Investment Management Company Limited (Director)
Phoenix Culture Creation Management Company Limited (Director)
Phoenix Culture Creation Development Company Limited (Director)
Hong Kong Phoenix Books Culture Publishing Company Limited (Director)

CHUI Keung

New appointments

Phoenix Culture Creation Industrial Investment Management Company Limited (Director)
Phoenix Culture Creation Management Company Limited (Director)
Phoenix Culture Creation Development Company Limited (Director)
鳳凰衛視文化產業發展（上海）有限公司(Director/Authorized Representative)

WANG Ji Yan

New appointments

Phoenix Culture Creation Industrial Investment Management Company Limited (Director)
Phoenix Culture Creation Management Company Limited (Director)
Phoenix Culture Creation Development Company Limited (Director)

Cessation of appointments

Phoenix Culture Creation Industrial Investment Management Company Limited (Director)
Phoenix Culture Creation Management Company Limited (Director)
Phoenix Culture Creation Development Company Limited (Director)
Hong Kong Phoenix Books Culture Publishing Company Limited (Director)

Jan KOEPPEN

New appointment

Huzur Radyo Tv Anonim Sirketi, (Fox Turkey) (Director & Chairman)

Thaddeus Thomas BECZAK

New appointments

China Renaissance Holdings Limited (Vice Chairman)
China Renaissance Securities (Hong Kong) Limited (Chairman)

Cessation of appointments

Advanced Semiconductor Manufacturing Corporation Limited (Director)
Cowen and Company (Asia) Limited (Chairman)
China Renaissance Securities Limited (Chairman)

LO Ka Shui

Cessation of appointment

Winsor Properties Holdings Limited (Independent non-executive Director)

GAO Jack Qunyao

New appointment

Bona Film Group Limited (Director)

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 service contract with the Company for a term of three years commencing from 1 July 2009. On 1 July 2012, the service contract respectively of Mr. LIU Changle and Mr. CHUI Keung expired and were renewed for a term of another three years commencing from 1 July 2012 subject to termination by either party giving to the other not less than three month's written notice. Except for Mr. CHUI Keung, none of the Director who is proposed for re-election at the forthcoming AGM has 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 2012, 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 interest**	**Corporate interest**	**Total interest**	**Position**	**Approximate shareholding percentage as at 31 December 2012**
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.18%
LO Ka Shui (Note 3)	9,756,000	–	9,756,000	Long	0.19%

Notes:

1. As at 31 December 2012, the number of the issued shares of the Company was 4,993,585,500.

2. As at 31 December 2012, 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 37.13% of the issued share capital of the Company.

3. As at 31 December 2012, 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	Personal/ other interest	Corporate interest	Total interest	Position	Approximate shareholding percentage as at 31 December 2012
	Number of class A ordinary shares held in PNM				
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.49%
LO Ka Shui	727,800	–	727,800	Long	0.24%

Notes:

1. As at 31 December 2012, the number of the issued Class A ordinary shares of PNM was 300,352,317.
2. PNM is a non-wholly owned subsidiary of the Company.
3. As at 31 December 2012, 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 0.49% 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 2012
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 2012, 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' and Chief Executives' Interests in Securities (Continued)

(3) Share options (Continued)

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 2012, so far as is known to the Directors and the chief executive of the Company, the interest of the Shareholders (not being Directors and the chief executive of the Company) in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

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

Name of substantial shareholders	Number of Shares	Approximate shareholding percentage as at 31 December 2012
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%

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

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

Notes:

1. As at 31 December 2012, the number of issued shares of the Company was 4,993,585,500.

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 ("CMHKG") which in turn is a subsidiary of China Mobile Communications Corporation ("CMCC"). By virtue of the SFO, CMCC and CMHKG are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. SHA Yuejia and Mr. GAO Nianshu, both non-executive Directors, are respectively executive director and vice president of China Mobile Limited and general manager of the Department of Market Operation of CMCC. 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.). Mr. Jan KOEPPEN and Mr. CHEUNG Chun On, Daniel, both non-executive Directors, and their respective alternate Directors, Ms. Ella Betsy WONG and Dr. GAO Jack Qunyao, are employees of News Corporation and its affiliates. Ms. Ella Betsy WONG is a director of Star Group Limited.

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

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

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage as at 31 December 2012
China Wise International Limited (Note 2)	412,000,000	8.25%

Notes:

1. As at 31 December 2012, the number of issued shares of the Company was 4,993,585,500.

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 2012, 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 2012	Year 2011
Programme purchases		
– the largest supplier	**14%**	11%
– five largest suppliers	**43%**	38%
Sales		
– the largest advertising end-customer	**2%**	3%
– five largest advertising end-customers	**7%**	8%

The largest advertising end-customer during the year ended 31 December 2012 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 41 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.

In the opinion of the Directors, such transactions were carried out on terms not 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 2012, which also constitute connected transactions/continuing connected transactions under the Listing Rules, are disclosed in Note 41 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. On 2 July 2009, Phoenix HK entered into an agreement (the "2009 Agreement") with Satellite Television Asian Region Limited ("STARL") in respect of the provision of the technical and support services, subscription promotion services, purchase of decoders and viewing cards services and other specifically requested services by STARL to Phoenix HK for a term of three years commencing from 1 July 2009 and ending on 30 June 2012.

   Upon expiry of the 2009 Agreement on 30 June 2012, Phoenix HK entered into two agreements with STARL on 16 July 2012 (the "2012 Services Agreement") and 1 August 2012 (the "2012 Channel Distribution Agreement") respectively for a term of three years commencing from 1 July 2012 and ending on 30 June 2015.

Connected Transactions/Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

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 transactions under the 2009 Agreement, the 2012 Services Agreement and the 2012 Channel Distribution Agreement constituted continuing connected transactions for the Company under the Listing Rules.

Details of the transactions are:

(i) STARL provides technical and support services for the operations of Phoenix Chinese Channel, Phoenix Movies Channel and Phoenix InfoNews Channel (a) under the 2009 Agreement until 30 June 2012 and (b) thereafter under the 2012 Services Agreement respectively. For the year ended 31 December 2012, the service charges paid/payable to STARL amounted to approximately HK$18,558,000 (2011: HK$19,084,000).

(ii) STARL provides purchase of decoders and viewing cards service to Phoenix HK. For the year ended 31 December 2012, there were no payment for purchase of decoders and viewing cards (2011: Nil).

(iii) STARL acts as (a) a non-exclusive agent to promote international subscription of Phoenix Chinese Channel and Phoenix InfoNews Channel under the 2009 Agreement until 30 June 2012 and (b) thereafter a non-exclusive licensee to distribute any or all channels of the Group to any pay television operators under the 2012 Channel Distribution Agreement. For the year ended 31 December 2012, the commission paid/payable to STARL amounted to approximately HK$4,386,000 (2011: HK$4,470,000).

2. On 30 December 2011, Phoenix HK, through its PRC advertising agent, Shenzhou Television Company Limited ("Shenzhou") entered into an advertising contract (the "2012 Contract") with CNHK Media Limited ("CNHK Media"), the indirect PRC advertising agent of CMCC, relating to the purchase of advertising airtime and/or sponsoring programmes being broadcasted on Phoenix Chinese Channel and 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 and its associates ("CMCC Group"). For the year ended 31 December 2012, the advertising sales to CMCC Group amounted to approximately HK$53,445,000 (2011: HK$45,839,000).

   China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is 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 2012 Contract constituted continuing connected transactions for the Company under the Listing Rules.

3. Provision of website portal, value-added telecommunications, promotional and ancillary services by and to the Company's indirectly-owned subsidiary, Phoenix New Media Limited ("PNM"), and together with its subsidiaries, the "PNM Group", to and by CMCC Group ("New Media CCT").

   On 22 April 2010, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rule 14A.35(1) to enter into a framework agreement with CMCC Group at the outset covering all of the expected New Media CCT for the three years ended 31 December 2010, 2011 and 2012, subject to the conditions disclosed in the announcement published on 25 October 2010.

   On 9 December 2010, the independent shareholders of the Company ("Independent Shareholders") approved, confirmed and ratified the New Media CCT between PNM Group and CMCC Group and the relevant annual caps for the three years from 1 January 2010 to 31 December 2012 at the extraordinary general meeting of the Company

   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 2012 amounted to approximately RMB155,730,000 (HK$191,330,000) and RMB63,953,000 (HK$78,573,000) respectively, whereas, for the year ended 31 December 2011, approximately RMB141,936,000 (HK$170,463,000) and RMB68,543,000 (HK$82,319,000) respectively.

Connected Transactions/Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is 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 New Media CCT constituted continuing connected transactions for the Company under the Listing Rules.

4. On 14 June 2011, Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited) ("PMM") entered into an outdoor advertising contract ("2011 Outdoor Advertising Contract") with 深圳市中港文化傳播有限責任公司 ("Shenzhen Media"), relating to placing advertisement for and on behalf of CMCC Group on LED Panels operated by PMM and/or its subsidiaries 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$21,571,000) for promoting CMCC Group.

   On 3 August 2012, PMM entered into another outdoor advertising contract ("2012 Outdoor Advertising Contract") with Shenzhen Media, relating to placing advertisement for and on behalf of CMCC Group on LED Panels operated by PMM and/or its subsidiaries in the PRC for the period from 3 August 2012 to 30 June 2013 for the sum of no more than RMB9,500,000 (approximately HK$11,590,000) for promoting CMCC Group.

   For the year ended as 31 December 2012, the advertising sales to CMCC Group amounted to approximately HK$3,865,000 (2011: HK$3,845,000).

   CMCC being the ultimate holding company of China Mobile (Hong Kong) Group Limited, a substantial shareholder of the Company holding approximately 19.69% of the issued share of the Company through its wholly-owned subsidiary Extra Step Investments Limited, is a connected person of the Company and the transactions under the 2011 Outdoor Advertising Contract and the 2012 Outdoor Advertising Contract respectively constituted continuing connected transactions for the Company under the Listing Rules.

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 71 to 73 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/Continuing Connected Transactions (Continued)

Connected Transactions

5. On 20 December 2011, Phoenix Satellite Television (US) Inc. entered into an agreement with Fox News International, Inc. ("Fox News") for the provision of a license to use the Edge (Fox News' services, access to the Edge Intranet website and feeds) from 1 January 2012 to 31 December 2014. The total consideration under the contract was US$243,324 (approximately HK$1,886,000) and was payable on monthly basis.

   As Fox News 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. Accordingly, the above transaction constituted a connected transaction for the Company under the Listing Rules.

6. On 13 July 2012, Phoenix HK entered into an agreement with Twentieth Century Fox International Television, Inc. ("Fox") for a license fee of US$5,000 (approximately HK$39,000) to broadcast one film on Phoenix Chinese Channel for a term of two years commencing from 15 July 2012.

   As Fox 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. Accordingly, the above transaction constituted a connected transaction for the Company under the Listing Rules.

7. (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$1,512,000) to broadcast 26 films on 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$62,000) to broadcast 2 films on 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$858,000) to respectively broadcast (1) 7 films on Phoenix Chinese Channel during the period from 31 January 2011 to 30 January 2013 and (2) 9 films on Phoenix Movie Channel for four years commencing from 1 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$598,000) to broadcast 11 films on 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$1,636,000) to broadcast 30 films on Phoenix Chinese Channel, Phoenix Hong Kong Channel and Phoenix Movies Channel during the period from 1 January 2012 to 30 April 2016.

   (f) On 29 June 2012, Phoenix HK entered into an agreement with Fortune Star Media for a license of fee of US$77,000 (approximately HK$597,000) to broadcast 11 films on Phoenix Hong Kong Channel for a term of one year commencing from 1 July 2012, 1 October 2012 and 1 December 2012.

   (g) On 28 December 2012, Phoenix HK entered into agreements with Fortune Star Media for a license fee of a total sum of US$145,000 (approximately HK$1,124,000) to broadcast 21 films on Phoenix Chinese Channel and Phoenix Hong Kong Channel during the period from 1 January 2013 to 31 January 2015.

   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. Accordingly, the above transactions constituted connected transactions of the Company under the Listing Rules.

Connected Transactions/Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

8. (a) On 23 December 2011, Phoenix HK entered into an agreement with NGC Network Asia, LLC ("NGC") for a license fee of not exceeding US$150,800 (approximately HK$1,172,000) to broadcast 52 blocks of contents from the National Geographic Channel on Phoenix Chinese Channel for a term of one year commencing from 1 January 2012.

   (b) On 28 December 2012, Phoenix HK entered into an agreement with NGC, Taiwan branch for licensing the rights to NGC, Taiwan branch to broadcast one program of Phoenix Chinese Channel on National Geographic Channel Taiwan for a term of 30 months commencing from 1 February 2013 for a license fee of US$800 (approximately HK$6,000), net of all applicable taxes.

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. Accordingly, the above transactions constituted connected transactions of the Company under the Listing Rules.

Competing Business

As at the latest practicable date, 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 operators for distribution to their subscribers. STAR currently offers the Chinese language channels including Channel [V] Channels, Star Chinese Movies Channels and Star Chinese Channels. Mr. Jan KOEPPEN and Mr. CHEUNG Chun On, Daniel, both non-executive Directors, and their respective alternate Directors, Ms. Ella Betsy WONG and Dr. GAO Jack Qunyao, are employees of News Corporation, the ultimate holding company of STAR, and its affiliates. Ms. Ella Betsy WONG is a director of Star Group Limited. Other than the Chinese-language channels offered by STAR above, STAR 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 and which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules. Since the channels operated by STAR differ in nature from 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 2012, 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 32 to 40 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 28 February 2013, PNM obtained a short-term credit facility for working capital purposes of RMB30,000,000 (approximately HK$37,299,000) from a bank. The facility will expire on 28 February 2014. As of 15 April 2013, the facility had not been utilised.

On 15 March 2013, PNM granted up to 18,708,400 options to its employees under the refreshed limit of the PNM Share Option Scheme approved on 20 June 2008. The exercise price is US$0.4459 per share or US$3.5674 per ADS.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2012 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, 13 March 2013

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 79 to 165, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

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Independent Auditor's Report

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 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 April 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Amounts expressed in Hong Kong dollars)

	Note	**2012 $'000**	2011 $'000
Revenue	5	**4,336,360**	3,639,445
Operating expenses	7	**(2,589,236)**	(2,273,489)
Selling, general and administrative expenses	7	**(649,063)**	(453,607)
Other (losses)/gains			
Fair value loss on preference share liability – derivative component	36(c)	**–**	(947,100)
Interest accretion for preference share liability – host debt	36(c)	**–**	(17,613)
Fair value gain on investment properties	16	**43,807**	127,488
Interest income		**58,300**	21,896
Other (losses)/gains, net	6	**(8,486)**	62,768
Share of profits/(losses) of jointly controlled entities	18	**3,644**	(4,819)
Share of profit of an associate	19	**15**	1,028
Profit before income tax		**1,195,341**	155,997
Income tax expense	9	**(248,056)**	(229,460)
Profit/(loss) for the year		**947,285**	(73,463)
Attributable to:			
Owners of the Company		**833,367**	(66,885)
Non-controlling interests		**113,918**	(6,578)
		947,285	(73,463)
Earnings/(losses) per share for profit/(loss) attributable to the owners of the Company during the year			
Basic earnings/(losses) per share, Hong Kong cents	10	**16.69**	(1.34)
Diluted earnings/(losses) per share, Hong Kong cents	10	**16.67**	(1.34)
Dividends and distributions	11	**254,698**	443,564

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Amounts expressed in Hong Kong dollars)

	2012 $'000	2011 $'000
Profit/(loss) for the year	**947,285**	(73,463)
Other comprehensive income		
Currency translation differences	**33,165**	58,572
Total comprehensive income/(loss) for the year	**980,450**	(14,891)
Attributable to:		
Owners of the Company	**851,686**	(35,626)
Non-controlling interests	**128,764**	20,735
	980,450	(14,891)

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2012

(Amounts expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	13	**22,482**	23,731
Lease premium for land	14	**235,308**	239,323
Property, plant and equipment, net	15	**1,350,282**	1,150,440
Investment properties	16	**899,134**	685,391
Intangible assets	17	**15,830**	16,739
Investments in jointly controlled entities	18	**10,498**	6,854
Amount due from a jointly controlled entity	18	**15,150**	20,000
Investment in an associate	19	**5,779**	5,764
Available-for-sale financial assets		**962**	962
Other long-term assets	24	**53,782**	40,489
Deferred income tax assets	37	**34,623**	33,273
		2,643,830	2,222,966
Current assets			
Accounts receivable, net	23	**567,949**	447,111
Prepayments, deposits and other receivables	24	**749,416**	754,201
Inventories	25	**8,370**	7,803
Amounts due from related companies	26	**84,193**	93,466
Self-produced programmes		**1,836**	8,673
Purchased programme and film rights, net	13	**6,533**	9,092
Financial assets at fair value through profit or loss	27	**24,819**	18,011
Bank deposits	28	**403,283**	1,078,996
Restricted cash	29	**991**	3,124
Cash and cash equivalents	30	**2,710,468**	1,545,486
		4,557,858	3,965,963
Total assets		**7,201,688**	6,188,929

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2012

(Amounts expressed in Hong Kong dollars)

	Note	**2012 $'000**	2011 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**499,358**	499,298
Reserves			
– proposed final dividend	11	**254,698**	209,705
– others		**3,481,086**	2,856,466
		4,235,142	3,565,469
Non-controlling interests		**1,390,074**	1,317,514
Total equity		**5,625,216**	4,882,983
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	36	**519,699**	–
Other long-term liabilities		**9,941**	6,743
Deferred income tax liabilities	37	**79,112**	76,453
		608,752	83,196
Current liabilities			
Accounts payable, other payables and accruals	35	**611,368**	507,638
Secured bank borrowings	36	**74,598**	478,480
Deferred income		**179,848**	181,398
Amounts due to related companies	26	**1,124**	1,637
Loans from non-controlling shareholders of a subsidiary	36	**35,931**	–
Current income tax liabilities		**64,851**	53,597
		967,720	1,222,750
Total liabilities		**1,576,472**	1,305,946
Total equity and liabilities		**7,201,688**	6,188,929
Net current assets		**3,590,138**	2,743,213
Total assets less current liabilities		**6,233,968**	4,966,179

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 79 to 165 were approved by the Board of Directors on 13 March 2013 and signed on behalf of the Board by:

LIU Changle
Director

CHUI Keung
Director

Balance Sheet

As at 31 December 2012

(Amounts expressed in Hong Kong dollars)

	Note	**2012 $'000**	2011 $'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**88,640**	52,254
Current assets			
Cash and cash equivalents	30	**2,432**	1,956
Amounts due from subsidiaries, net	20	**1,255,441**	1,470,174
		1,257,873	1,472,130
Total assets		**1,346,513**	1,524,384
EQUITY			
Equity attributable to owner of the Company			
Share capital	32	**499,358**	499,298
Reserves			
– proposed final dividend	11	**254,698**	209,705
– others		**592,012**	814,337
Total equity		**1,346,068**	1,523,340
LIABILITIES			
Current liabilities			
Other payables and accruals	35	**445**	1,044
Total liabilities		**445**	1,044
Total equity and liabilities		**1,346,513**	1,524,384
Net current assets		**1,257,428**	1,471,086
Total assets less current liabilities		**1,346,068**	1,523,340

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 79 to 165 were approved by the Board of Directors on 13 March 2013 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 2012

(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 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)
Total contributions by and distributions to owners of the Company recognised directly in equity										
Share option scheme										
– value of employee services		–	–	–	–	–	129,024	–	–	129,024
– recognition of shares issued on exercise of options		595	6,975	–	–	–	–	–	–	7,570
– lapse of share options		–	1,339	–	–	–	(1,339)	–	–	–
Dividends related to 2010		–	(164,717)	–	–	–	–	–	–	(164,717)
Special dividend	11	–	(189,732)	–	–	–	–	–	–	(189,732)
Assured entitlement	11	–	(44,127)	–	23,425	–	–	–	6,564	(14,138)
Liquidation of subsidiaries		–	–	–	11,702	–	–	–	(4,063)	7,639
Allocation to statutory reserve		–	–	19,255	–	–	–	(19,255)	–	–
Total contributions by and distributions to owners of the Company		595	(390,262)	19,255	35,127	–	127,685	(19,255)	2,501	(224,354)
Disposals of interests in subsidiaries without loss of control	39	–	–	–	1,643,193	–	–	–	1,065,740	2,708,933
Acquisition of additional interests in subsidiaries	39	–	–	–	(11,922)	–	–	–	(32,671)	(44,593)
Exercise of share options of a subsidiary		–	–	–	–	–	(10,399)	–	10,996	597
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

The notes on pages 87 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

(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 2012		499,298	29,804	29,154	1,666,398	74,263	143,560	1,122,992	1,317,514	4,882,983
Profit for the year		–	–	–	–	–	–	833,367	113,918	947,285
Other comprehensive income										
Currency translation differences		–	–	–	–	18,319	–	–	14,846	33,165
Total comprehensive income for the year		–	–	–	–	18,319	–	833,367	128,764	980,450
Total contributions by and distributions to owners of the Company recognised directly in equity										
Share option scheme										
– value of employee services		–	–	–	–	–	45,392	–	–	45,392
– recognition of shares issued on exercise of options		60	414	–	–	–	–	–	–	474
– lapse of share options		–	231	–	–	–	(231)	–	–	–
Dividends related to 2011	11	–	–	–	–	–	–	(209,731)	–	(209,731)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(9,291)	(9,291)
Allocation to statutory reserve		–	–	16,780	–	–	–	(16,780)	–	–
Total contributions by and distributions to owners of the Company		60	645	16,780	–	–	45,161	(226,511)	(9,291)	(173,156)
Deemed acquisition of partial interest in a subsidiary arising from exercise and vesting of share-based awards and repurchase of shares of a subsidiary	39	–	–	–	29,157	–	(47,305)	–	(46,913)	(65,061)
Total transactions with owners		60	645	16,780	29,157	–	(2,144)	(226,511)	(56,204)	(238,217)
Balance at 31 December 2012		499,358	30,449	45,934	1,695,555	92,582	141,416	1,729,848	1,390,074	5,625,216

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 87 to 165 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

(Amounts expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Cash generated from/(used in) operations	38	**2,078,879**	(141,042)
Interest received		**58,300**	21,896
Hong Kong taxation paid		**(204,444)**	(157,175)
Overseas taxation paid		**(52,400)**	(42,165)
Net cash generated from/(used in) operating activities		**1,880,335**	(318,486)
Cash flows from investing activities			
Increase in other long-term assets		**(27,092)**	(9,817)
Decrease in restricted cash		**2,133**	20,666
Purchase of intangible assets	17	**(552)**	–
Purchase of property, plant and equipment	15	**(362,146)**	(368,559)
Purchase of programme and film rights	13	**(28,740)**	(30,012)
Capital injection in jointly controlled entity	18	**–**	(827)
Advance to a jointly controlled entity		**(20,000)**	(20,000)
Proceeds from disposal of property, plant and equipment		**149**	–
Additions to investment properties under construction	16	**(158,898)**	(164,486)
Liquidation of subsidiaries		**–**	7,639
Income from financial assets at fair value through profit or loss		**1,184**	902
Net cash used in investing activities		**(593,962)**	(564,494)
Cash flows from financing activities			
Acquisitions of additional interests in subsidiaries	39(c)	**–**	(44,593)
Net proceeds from partial disposals of subsidiaries		**–**	1,261,777
Proceeds from exercise of share options of the Company	32, 34	**474**	7,570
Dividends paid to owners of the Company	11	**(209,731)**	(164,717)
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		**1,290**	11,268
Drawdown of secured bank borrowings	36	**644,476**	290,063
Repayment of secured bank borrowings	36	**(536,800)**	(70,854)
Loans from non-controlling shareholders of a subsidiary	36	**36,308**	–
Dividends paid to non-controlling interest		**(9,291)**	–
Repurchase of shares of a subsidiary	39(a)	**(64,269)**	–
Net cash (used in)/generated from financing activities		**(137,543)**	1,086,644
Net increase in cash and cash equivalents		**1,148,830**	203,664
Cash and cash equivalents at beginning of year		**1,545,486**	1,312,502
Exchange gains on cash and cash equivalents		**16,152**	29,320
Cash and cash equivalents at end of year	30	**2,710,468**	1,545,486

The notes on pages 87 to 165 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 13 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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

HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group.

(i) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012.

HKFRS 7 Amendment	Disclosures – Transfers of Financial Assets
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets

Since the Group has rebutted the presumption that the investment properties are recovered through sale as introduced in HKAS 12 Amendment, deferred tax on the fair value changes on the investment properties has been provided for using the income tax rate. The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Standards and amendments to standards that have been issued but are not effective for the year ended 31 December 2012 and have not been early adopted by the Group.

The HKICPA has issued the following new or revised standards and amendments to standards which are not yet effective in 2012 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	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 1 Amendment	Government Loans	1 January 2013
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date and Transition Disclosures	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 Measurements	1 January 2013
HKFRS 10, 11, 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
HKFRSs Amendments	Annual Improvements 2009-2011 Cycle	1 January 2013

The Group will apply the above new standards and amendments to standards from 1 January 2013 or later periods. The Group has already commenced an assessment of related impact but is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Consolidation (Continued)

(i) Subsidiaries (Continued)

De-facto control may arise from circumstances 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.

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.

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.

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.

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Consolidation (Continued)

(iii) Disposal of subsidiaries

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 the consolidated income statement.

(iv) Associate and jointly controlled entities

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

The Group's share of its associate and jointly controlled entities' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition 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.

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in 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 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. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

(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 owners of the Company are reclassified to the consolidated income statement.

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 the consolidated income statement.

(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 costs to their residual values over their estimated useful lives, as follows:

Buildings	2.05 – 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 panels	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 (losses)/gains, net", in the consolidated income statement.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties 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. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains".

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (Continued)

(iv) Club debentures

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

(v) Computer software

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

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

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Self-produced programmes

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

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 companies, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2(n) and 2(p)).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

(i) Classification (Continued)

(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 represent unlisted securities of private issuers outside Hong Kong.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at cost as these securities have no quoted market price in an active market and their fair values cannot be reliably measured. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are 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 (losses)/gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 the consolidated income statement – is removed from equity and recognised in the consolidated income statement. 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 the consolidated income statement, 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Share capital

Ordinary shares are classified as equity.

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

(s) Accounts payable, other payables and accruals

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

(t) Borrowings

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

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

(u) 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, an associate 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(iii) Share-based compensation (Continued)

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.

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.

(w) 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.

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of 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; when it is probable that future economic benefits will flow to the Group; and when 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

Revenue is recognised as follows:

(i) Advertising revenue

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

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

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

(iii) Subscription revenue

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

(iv) Magazine advertising revenue

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

(v) Magazine subscription/circulation revenue

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

(vi) Technical services income

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

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

(x) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(y) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessee

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.

(z) 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.

(aa) 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, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(a) Foreign exchange risk

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

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

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

At 31 December 2012, for the Group's entities with functional currency of HK$, if HK$ had weakened/strengthened by 5% (2011: 5%) against RMB with all other variables held constant, after-tax profit (2011: loss) for the year would have been HK$28,789,000 (2011: HK$27,568,000), higher or lower (2011: lower or higher), mainly as a result of foreign exchange gains/losses on translation of RMB-denominated accounts receivable and receivables from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou").

At 31 December 2012, 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 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. The Group 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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 and outdoor advertising 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.

(d) 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 2012, with all other variables held constant, if the interest rates had increased/decreased by 1%, after-tax profit (2011: loss) for the year would have been HK$19,986,000 (2011: HK$19,371,000) higher or lower (2011: 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 profit (2011: loss).

(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$507,501,000 (2011: HK$490,805,000) representing approximately 7% (2011: 8%) of the total assets of the Group as of 31 December 2012. 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 180 days.

See Note 22 for further disclosure on credit risk.

(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 2012			
Accounts payable, other payables and accruals	**596,659**	**–**	**–**
Amounts due to related companies	**1,124**	**–**	**–**
Secured bank borrowings	**75,505**	**576,697**	**–**
Loans from non-controlling shareholders of a subsidiary	**35,931**	**–**	**–**
At 31 December 2011			
Accounts payable, other payables and accruals	500,234	–	–
Amounts due to related companies	1,637	–	–
Secured bank borrowings	500,562	–	–

(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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

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

The table below analyses financial instruments carried at fair value, by valuation method. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2012.

	Level 1 $'000
Assets	
Financial assets at fair value through profit or loss	
– trading equity securities	**24,819**

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

	Level 1 $'000
Assets	
Financial assets at fair value through profit or loss	
– trading equity securities	18,011

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 2012, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC") of approximately HK$24,819,000 (2011: HK$18,011,000) (Note 27).

There were no reclassifications of financial assets (2011: Nil).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical accounting estimates and assumptions

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

(i) Provision for impairment of receivables

Significant judgment is exercised in the assessment of the collectibility of accounts receivable from each customer and the receivable from an advertising agent, Shenzhou. In making such judgment, management considers a wide range of factors, including customers' and Shenzhou's payment trends, subsequent payments and customers' and Shenzhou's financial positions.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. For the Group's tax exposure in the PRC, please refer to Note 9.

(iii) Useful lives of property, plant and equipment

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

(iv) Fair value of investment properties

For an investment property with a carrying amount of HK$9,926,000 (2011: HK$ 9,761,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed annually by a qualified valuer by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; (ii) recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those parties; and (iii) rental income derived from existing tenancies with due provision for reversionary income potential based on market conditions existing at the end of the reporting period.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Fair value of investment properties (Continued)

These methodologies are based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cashflow profile. The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions including open market rents, appropriate capitalisation rate and reversionary income potential. Discount rate of 8.5% was used in the discounted cash flow analysis. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property.

In addition, investment property with a carrying value of HK$889,208,000 (2011: HK$675,630,000) was in the process of construction or development as of 31 December 2012. The fair value of this investment property under construction is determined using the information from the valuation performed by external professional valuer using the residual method of valuation. The residual method of valuation essentially involves the gross development value assessment of the hypothetical development to be erected on the investment property based on the latest development scheme. The estimated development costs for the hypothetical development including construction costs and professional fees together with allowances on interest payments and developer's profits are deducted from the established gross development value thereof. The resultant figure is then adjusted back to present value as at the valuation date to reflect the existing state of the investment property. The residual site value is then cross-checked with the actual sales or offerings of comparable properties by direct comparison method of valuation whereby comparable properties with similar character, location, sizes and so on are analysed and weighted against all respective advantages and disadvantages of the investment property in order to arrive at a fair comparison of value. Had the Group used different development costs and other assumptions, the fair value of the investment property would be different and thus, would impact the consolidated income statement.

At 31 December 2012, if the market value of investment properties had been 10% (2011: 10%) higher/lower with all other variables held constant, the carrying values of the Group's investment properties would have been HK$89,913,000 (2011: HK$68,539,000) higher/lower.

(v) 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(vi) 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.

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 2012 was HK$45,392,000 (2011: HK$151,626,000) (Note 8).

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

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

Upon completion of the Capital Increase Agreement (see Note 39(b)), the Group's equity interest in PMM was reduced from 75% to 45.54%. Management has exercised its critical judgement when determining whether the Group has de facto control over PMM by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM; and (ii) the Group has the ability to direct the relevant activities of PMM, i.e. the activities that significantly affect PMM; and (iii) PMM and other shareholders highly rely on the Group's industry expertise, brand, network, and reputation.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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:

	2012	2011
	$'000	$'000
Revenue		
Advertising sales		
Television broadcasting	**2,256,962**	1,983,009
Internet	**757,226**	559,148
Outdoor media	**512,362**	386,559
Mobile, video and wireless value added services income	**625,207**	554,563
Subscription sales	**93,564**	85,273
Magazine advertising and subscription or circulation	**57,157**	57,717
Rental income	**762**	–
Others	**33,120**	13,176
	4,336,360	3,639,445

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

The Group has 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended 31 December 2012								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	2,177,873	195,636	2,373,509	1,382,433	512,362	929	67,127	–	4,336,360
Inter-segment sales (Note c)	–	5,228	5,228	–	–	1,333	42,779	(49,340)	–
Total revenue	2,177,873	200,864	2,378,737	1,382,433	512,362	2,262	109,906	(49,340)	4,336,360
Segment results	1,227,461	11,555	1,239,016	143,911	110,854	28,583	(27,862)	–	1,494,502
Unallocated income (Note a)									17,770
Unallocated expenses (Note b)									(320,590)
Profit before share of results of jointly controlled entities/ an associate, income tax and non-controlling interests									1,191,682
Share of profits of jointly controlled entities									3,644
Share of profit of an associate									15
Income tax expense									(248,056)
Profit for the year									947,285
Non-controlling interests									(113,918)
Profit attributable to owners of the Company									833,367
Depreciation	(69,959)	(11,944)	(81,903)	(25,963)	(24,645)	(111)	(6,312)	–	(138,934)
Unallocated depreciation									(30,499)
									(169,433)

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended 31 December 2011								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	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 c)	–	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 losses 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)

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION (Continued)

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.

(c) 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 2012	
	Revenue	**Total assets**
	$'000	$'000
The PRC	4,166,720	4,619,764
Hong Kong	45,880	2,475,051
Others	123,760	106,873
	4,336,360	7,201,688

	Year ended 31 December 2011	
	Revenue	**Total assets**
	$'000	$'000
The PRC	3,455,684	2,790,901
Hong Kong	65,529	3,300,513
Others	118,232	97,515
	3,639,445	6,188,929

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

6. OTHER (LOSSES)/GAINS, NET

	2012 $'000	2011 $'000
Exchange gain, net	**13,626**	55,961
Investment income	**1,184**	902
Fair value gain/(loss) on financial assets at fair value through profit or loss (realised and unrealised)	**6,808**	(6,319)
Provision for impairment of amounts due from jointly controlled entities	**(28,895)**	–
Provision for impairment of other long-term assets	**(13,799)**	–
Others, net	**12,590**	12,224
	(8,486)	62,768

7. PROFIT BEFORE INCOME TAX

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

	2012 $'000	2011 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**359**	–
Charging		
Production costs of self-produced programmes	**185,543**	190,841
Commission expenses	**396,242**	321,472
Transponder rental	**30,653**	29,549
Provision for impairment of accounts receivable	**46,755**	16,740
Employee benefit expenses (including Directors' emoluments)	**961,970**	865,439
Operating lease rental in respect of		
– Directors' quarters	**2,059**	2,048
– Land and buildings of third parties	**63,961**	38,471
Loss on disposal of property, plant and equipment, net	**1,282**	355
Depreciation of property, plant and equipment	**169,433**	141,020
Amortisation of purchased programme and film rights	**29,916**	25,421
Amortisation of lease premium for land	**2,744**	2,744
Amortisation of intangible assets	**1,555**	1,734
Auditor's remuneration	**13,421**	9,152
Services charges paid to related parties	**19,139**	19,495
Outgoings for investment properties	**512**	–

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	$'000	$'000
Wages, salaries and other allowances	**895,240**	694,221
Unutilised annual leave	**1,065**	1,205
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	**20,273**	18,387
Share-based compensation expense (Note 33)	**45,392**	151,626
	961,970	865,439

(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.

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 2012, the aggregate amount of the employer's contributions was approximately HK$17,740,000 (2011: HK$15,818,000) and the total amount of forfeited contributions was approximately HK$1,257,000 (2011: HK$990,000).

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 from 1 January 2012 to 31 May 2012 and HK$25,000 from 1 June 2012 to 31 December 2012 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 2012, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$2,330,000 (2011: HK$1,925,000) and the forfeited contributions was HK$58,000 (2011: Nil).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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 2012 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 (Chief Executive Officer)	–	6,257	3,235	1,716	577	11,785
2. CHUI Keung	–	2,559	1,867	1,264	236	5,926
3. WANG Ji Yan	–	2,233	1,493	1,103	206	5,035
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 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 (Chief Executive Officer)	–	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	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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 2012 include three (2011: three) executive Directors whose emoluments are reflected in the analysis presented in (b) above. The emoluments paid/payable to the remaining two (2011: two) individuals during the year are as follows:

	2012	2011
	$'000	$'000
Salaries	**4,117**	3,784
Discretionary bonus	**3,920**	3,876
Housing allowance	**2,032**	1,868
Pension costs	**380**	349
	10,449	9,877

As of 31 December 2012, Mr. LIU Changle had outstanding share options to purchase 4,900,000 (2011: 4,900,000) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options to purchase 3,900,000 (2011: 3,900,000) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options to purchase 3,900,000 (2011: 3,900,000) shares at HK$2.92 per share. No options were exercised during 2012. The fair values of these options have not been included in the directors' emoluments disclosed above.

The emoluments of the remaining two (2011: two) individuals fell within the following bands:

	Number of individuals	
Emolument band	**2012**	2011
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–

During the year, no emoluments or incentive payments were paid or payable to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office except as disclosed above (2011: Nil).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012 $'000	2011 $'000
Current income tax		
– Hong Kong profits tax	**180,159**	143,229
– Overseas taxation	**57,770**	66,198
– Under provision of tax in the prior year	**9,825**	13,321
Deferred income tax (Note 37)	**302**	6,712
	248,056	229,460

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fees collected from Shenzhou in the PRC (Note 24) (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

In the PRC, certain subsidiaries enjoy preferential tax rate of 15% (2011: 7.5% and 15%) for being new and high technology enterprises.

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

	2012 $'000	2011 $'000
Profit before income tax	**1,195,341**	155,997
Calculated at a taxation rate of 16.5% (2011: 16.5%)	**197,231**	25,740
Income not subject to taxation	**(26,010)**	(14,269)
Expenses not deductible for taxation purposes	**41,311**	181,763
Tax losses not recognised	**15,497**	11,478
Effect of tax holiday granted to PRC subsidiaries	**(7,717)**	(5,391)
Recognition of previously unrecognised deferred income tax assets	**(8,439)**	(73)
Utilisation of previously unrecognised tax losses	**(1,763)**	(4,943)
Effect of different tax rate in other countries	**28,121**	21,834
Under provision of tax in the prior year	**9,825**	13,321
Income tax expense	**248,056**	229,460

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

10. EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

	2012	2011
Profit/(loss) attributable to owners of the Company ($'000)	**833,367**	(66,885)
Weighted average number of ordinary shares in issue ('000)	**4,993,467**	4,991,068
Basic earnings/(losses) per share (Hong Kong cents)	**16.69**	(1.34)

(b) Diluted

Diluted earnings/(losses) 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, ordinary shares issuable upon the restricted share units and restricted shares and contingently issuable shares for former employees of subsidiaries (2011: 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 (2011: 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 earnings/(losses) per share.

	2012	2011
Profit/(loss) attributable to owners of the Company ($'000)	**833,367**	(66,885)
Weighted average number of ordinary shares in issue ('000)	**4,993,467**	4,991,068
Adjustment for share options of the Company ('000)	**4,763**	–
Weighted average number of ordinary shares for diluted earnings/(losses) per share ('000)	**4,998,230**	4,991,068
Diluted earnings/(losses) per share (Hong Kong cents)	**16.67**	(1.34)

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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

11. DIVIDENDS AND DISTRIBUTIONS

	2012	2011
	$'000	$'000
Proposed final dividend of 5.1 Hong Kong cents (2011: 4.2 Hong Kong cents) per share (Note a)	**254,698**	209,705
Special dividend, paid, of nil Hong Kong cents (2011: 3.8 Hong Kong cents) per share	**–**	189,732
Assured entitlement, paid (Note b)	**–**	44,127
	254,698	443,564

(a) The 2011 final dividends paid during the year ended 31 December 2012 were approximately HK$209,731,000 (4.2 Hong Kong cents per share). The directors recommend the payment of a final dividend of 5.1 Hong Kong cents per share, totalling approximately HK$254,698,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2013. 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") by means of a distribution-in-specie.

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit/(loss) attributable to owners of the Company is dealt with in the financial statements of the Company of a loss of approximately HK$4,403,000 (2011: profit of approximately HK$996,680,000).

13. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	2012	2011
	$'000	$'000
Balance, beginning of year	**32,823**	30,700
Additions	**28,740**	30,012
Amortisation	**(29,916)**	(25,421)
Others	**(2,632)**	(2,468)
Balance, end of year	**29,015**	32,823
Less: Purchased programme and film rights – current portion	**(6,533)**	(9,092)
	22,482	23,731

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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:

	2012 **$'000**	2011 $'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**34,553**	35,555
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**200,755**	203,768
	235,308	239,323

	2012 **$'000**	2011 $'000
Balance, beginning of year	**239,323**	239,300
Currency translation differences	**1,690**	5,661
Amortisation (Note a)	**(5,705)**	(5,638)
Balance, end of year (Note b and Note c)	**235,308**	239,323

(a) For the year ended 31 December 2012, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$2,961,000 (2011: HK$2,894,000).

(b) Included in the net book value as of 31 December 2012 is an amount of HK$116,204,000 (2011: HK$117,474,000) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre. The land comprises of approximately 18,822 square metres and a intended total gross floor area of approximately 73,000 square metres. Upon completion of construction, approximately 29,200 square metres are expected to be occupied by the Group for its operations in Beijing and 43,800 square metres to be held for rental income or capital appreciation.

As at 31 December 2012, only gross floor area of approximately 65,000 square metres have been permitted by 北京市國土資源局 (Beijing Municipal Bureau of Land and Resources) for construction. As at 31 December 2012, the Group was still awaiting the issuance of permission to develop additional gross floor area of approximately 8,000 square metres, as a result of a change of layout in 2011, and there is certain outstanding land cost to cover such additional gross floor area. The Directors are of the opinion that the permission will be issued in the near future.

(c) Included in the net book value as of 31 December 2012 is an amount of HK$15,555,000 (2011: HK$15,960,000) 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 2012, 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 2012, 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)).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold land and building $'000 (Note a)	Leasehold improvements $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construction in progress $'000	Total $'000
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	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
Year ended 31 December 2012									
Opening net book amount	151,312	199,477	5,764	255,610	9,795	174,244	96,713	257,525	1,150,440
Currency translation differences	119	928	27	2,029	85	685	–	4,687	8,560
Additions	–	36,005	1,728	129,026	6,650	314	–	188,423	362,146
Disposals	–	–	(55)	(1,376)	–	–	–	–	(1,431)
Depreciation	(4,258)	(43,920)	(2,697)	(83,995)	(3,848)	(23,416)	(7,299)	–	(169,433)
Transfers	18,047	36,963	–	16,190	–	25,720	–	(96,920)	–
Closing net book amount	165,220	229,453	4,767	317,484	12,682	177,547	89,414	353,715	1,350,282
At 31 December 2012									
Cost	183,795	377,180	17,213	647,377	37,935	250,295	100,971	353,715	1,968,481
Accumulated depreciation and impairment	(18,575)	(147,727)	(12,446)	(329,893)	(25,253)	(72,748)	(11,557)	–	(618,199)
Net book amount	165,220	229,453	4,767	317,484	12,682	177,547	89,414	353,715	1,350,282

Depreciation expense of approximately HK$114,710,000 (2011: HK$91,577,000) has been charged in operating expenses, and approximately HK$54,723,000 (2011: HK$49,443,000) in selling, general and administrative expenses.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(a) Included in the net book value as of 31 December 2012 is an amount of HK$26,883,000 (2011: HK$27,583,000) 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 2012. As at 31 December 2012, the cost of this capitalised finance lease was HK$30,848,000 (2011: HK$30,848,000) with a net book value of HK$26,883,000 (2011: HK$27,583,000). As of 31 December 2012, 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) As of 31 December 2012, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of non-compliance with laws and regulations is remote.

(c) Included in the net book value as of 31 December 2012 is an amount of HK$89,414,000 (2011: HK$96,713,000) which relates to the aircraft for operation use.

16. INVESTMENT PROPERTIES

	2012 **$'000**	2011 $'000
Balance, beginning of year	**685,391**	371,138
Additions	**158,898**	164,486
Fair value gain	**43,807**	127,488
Currency translation differences	**11,038**	22,279
Balance, end of year	**899,134**	685,391

	2012 **$'000**	2011 $'000
Representing:		
Investment property under construction (Note 14(a))	**889,208**	675,630
Investment property	**9,926**	9,761
Balance, end of year	**899,134**	685,391

(a) The Group applied the fair value model, for the accounting of investment properties and has fair valued the portion of the construction in progress of the Phoenix International Media Centre and the investment property in London. The portion of the construction in progress of the Phoenix International Media Centre and the investment property in London were valued by Vigers Appraisal and Consulting Limited and Lambert Smith Hampton respectively, which are independent appraisers. Fair value gains of approximately HK$43,807,000 (2011: HK$127,488,000) were recognised in the consolidated income statement for the year ended 31 December 2012.

(b) Interest capitalised under investment property under construction amounted to HK$47,896,000 (2011: HK$21,011,000).

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(Amounts expressed in Hong Kong dollars)

17. INTANGIBLE ASSETS

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
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
Year ended 31 December 2012						
Opening net book amount	8,733	958	599	2,705	3,744	16,739
Additions	–	–	–	–	552	552
Amortisation	–	(542)	(693)	–	(320)	(1,555)
Currency translation differences	–	–	94	–	–	94
Closing net book amount	8,733	416	–	2,705	3,976	15,830
At 31 December 2012						
Cost	8,733	2,401	1,924	2,705	5,175	20,938
Accumulated amortisation and impairment	–	(1,985)	(1,924)	–	(1,199)	(5,108)
Net book amount	8,733	416	–	2,705	3,976	15,830

Amortisation of approximately HK$1,235,000 (2011: HK$1,414,000) is included in operating expenses, and approximately HK$320,000 (2011: HK$320,000) in selling general and administrative expenses.

An impairment review of the carrying amount of goodwill at 31 December 2012 was performed and no impairment provision 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 (2011: 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 $'000	2011 $'000
Unlisted investments, net	**10,498**	6,854
Amount due from a jointly controlled entity (Note d)	**15,150**	20,000
	25,648	26,854

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

	2012 $'000	2011 $'000
Unlisted investments, at cost	**19,791**	18,964
Capital injection into jointly controlled entities (Note b)	**–**	827
Less: Provision for impairment	**(472)**	(472)
Less: Share of losses of jointly controlled entities	**(8,821)**	(12,465)
Unlisted investments, net	**10,498**	6,854

Details of the jointly controlled entities as at 31 December 2012 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%	RMB 10,000,000
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

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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 2012, 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 2012, an amount due from a jointly controlled entity under non-current asset of HK$40,000,000 (2011: HK$20,000,000) bears interest at 2% plus the best lending rate per annum on HK$ quoted by The Hongkong and Shanghai Banking Corporation Limited. The average effective interest rate was 7% (2011: 7%). The Group has recorded a provision for impairment of HK$24,850,000 (2011: Nil), included in "other (losses)/gains, net" for the year ended 31 December 2012, after taking into account the present value of estimated future cash flows from the jointly controlled entity. The amount due from this jointly controlled entity is secured by certain assets of the jointly controlled entity, and is not repayable within one year after the balance sheet date and denominated in HK$.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

	2012	2011
	$'000	$'000
Assets:		
Non-current assets	**4,599**	360
Current assets	**72,441**	45,359
	77,040	45,719
Liabilities:		
Current liabilities	**(72,121)**	(27,148)
Net assets	**4,919**	18,571
Income	**91,525**	44,854
Expenses	**(113,456)**	(56,162)
Loss after income tax	**(21,931)**	(11,308)

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

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(Amounts expressed in Hong Kong dollars)

19. INVESTMENT IN AN ASSOCIATE

	2012 $'000	2011 $'000
Unlisted investment, at cost	**5,564**	5,564
Less: Share of profit on an associate	**215**	200
Unlisted investment, net	**5,779**	5,764

Details of the associate as at 31 December 2012 are 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	
	2012 $'000	2011 $'000
Non-current		
Unlisted shares, at cost (Note a)	**–**	–
Deemed capital contributions arising from share-based compensation	**88,640**	52,254
	88,640	52,254
Current:		
Amounts due from subsidiaries, net (Note b)	**1,255,441**	1,470,174

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(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	Hong Kong, limited liability company	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands, limited liability company	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Satellite Television (Europe) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
PCNE Holdings Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	70%	US$1,000
Phoenix Chinese News & Entertainment Limited	The United Kingdom, limited liability company	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Satellite Television Information Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	51.87%	US$1
PHOENIXi Investment Limited (Completed in 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 in 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

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Development Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
國鳳在線(北京)信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited (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

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(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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 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	51.87%	US$11,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Media and Broadcast Sdn Bhd	Malaysia, limited liability company	Malaysia	Dormant	70%	RM1,000,000
Phoenix Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1
Green Lagoon Investments Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
Hong Kong Phoenix Books Culture Publishing Company Limited (formerly known as Phoenix Publications (Hong Kong) Limited)	Hong Kong, limited liability company	The PRC	Publication	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

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(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (Continued):

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	British Virgin Islands, limited liability company	The PRC	Dormant	100%	US$1
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	51.87%	US$3,003,523 (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 d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB154,000,000
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited (Note d)	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 d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited (Note d)	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 d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited (Note d)	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 d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,794,992
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	Satellite television broadcasting	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	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	51.87%	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	51.87%	RMB10,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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
北京天盈創智广告有限公司 Beijing Tianying Changzhi Advertising Co. Ltd.	The PRC, limited liability company	The PRC	Internet contents provision	51.87%	RMB5,000,000
PSTV, LLC	The United States of America, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd	The PRC, limited liability company	The PRC	Outdoor media business	100%	RMB76,922,334
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 (completed its cancellation on 9 March 2012) (Note a(i))	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	Property holding	100%	HK$1
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Satellite television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	New media	51.87%	HK$1

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(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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
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	Investment holding	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%	–
Phoenix Culture Industrial Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Culture Creation Development Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Industrial Investment Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
北京鳳凰于天軟件技術有限公司	The PRC, limited liability company	The PRC	New Media	100%	RMB5,000,000
北京繼融文華文化傳播有限公司	The PRC, limited liability company	The PRC	New Media	100%	RMB5,000,000
鳳凰衛視文化產業發展(上海)有限公司	The PRC, limited liability company	The PRC	Cultural development	100%	HK$25,000,000

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(Amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) The following is a list of the subsidiaries at 31 December 2012 (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. Feng Huang Air, LLC cancelled on 9 March 2012.

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 are unsecured, non-interest bearing and repayable on demand.

(c) The Company has undertaken to provide the necessary financial resources to support the future operations of the subsidiaries within the Group. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2012.

(d) 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.

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(Amounts expressed in Hong Kong dollars)

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 2012				
Available-for-sale financial assets	–	–	962	962
Financial assets at fair value through profit or loss (Note 27)	–	24,819	–	24,819
Bank deposits (Note 28)	403,283	–	–	403,283
Accounts receivable, net (Note 23)	567,949	–	–	567,949
Other receivables (Note 24)	661,683	–	–	661,683
Amounts due from related companies (Note 26)	84,193	–	–	84,193
Amount due from a jointly controlled entity (Note 18)	15,150	–	–	15,150
Restricted cash (Note 29)	991	–	–	991
Cash and cash equivalents (Note 30)	2,710,468	–	–	2,710,468
Total	4,443,717	24,819	962	4,469,498
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, net (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

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

21. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost $'000
Liabilities per consolidated balance sheet	
31 December 2012	
Accounts payable and other payables (Note 35)	596,659
Amounts due to related companies (Note 26)	1,124
Borrowings	
– Secured bank borrowings (Note 36(a))	594,297
– Loans from non-controlling shareholders of a subsidiary (Note 36(b))	35,931
Total	1,228,011
31 December 2011	
Accounts payable and other payables (Note 35)	500,234
Amounts due to related companies (Note 26)	1,637
Borrowings	
– Secured bank borrowings (Note 36(a))	478,480
Total	980,351

Company

	Loans and receivables $'000
Assets as per balance sheet	
31 December 2012	
Cash and cash equivalents (Note 30)	2,432
Amounts due from subsidiaries, net (Note 20)	1,255,441
	1,257,873
31 December 2011	
Cash and cash equivalents (Note 30)	1,956
Amounts due from subsidiaries, net (Note 20)	1,470,174
	1,472,130

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

21. FINANCIAL INSTRUMENTS BY CATEGORIES (Continued)

	Financial liabilities at amortised cost $'000
Liabilities as per balance sheet	
31 December 2012	
Other payables and accruals (Note 35(b))	445
31 December 2011	
Other payables and accruals (Note 35(b))	1,044

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

	2012 **$'000**	2011 $'000
Counterparties without external credit rating		
Group 1	**67,437**	58,521
Group 2	**543,704**	399,978
	611,141	458,499

Other receivables

	2012 **$'000**	2011 $'000
Counterparties without external credit rating		
Group 1	**2,535**	44,482
Group 2	**659,148**	617,661
	661,683	662,143

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

22. CREDIT QUALITY OF FINANCIAL ASSETS (Continued)

Amounts due from related companies

	2012 **$'000**	2011 $'000
Counterparties without external credit rating		
Group 2	**84,193**	93,466

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**	
	2012 **$'000**	2011 $'000	**2012** **$'000**	2011 $'000
AA –	**40**	246,626	**–**	1,901
A+	**594,800**	29	**2,378**	–
A	**92,818**	352,216	**54**	55
A–	**572,984**	483,179	**–**	–
BBB+	**1,183,397**	313,065	**–**	–
BBB	**1,612**	1,831	**–**	–
Others (Note a)	**263,657**	146,224	**–**	–
	2,709,308	1,543,170	**2,432**	1,956

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

Restricted cash

	2012 **$'000**	2011 $'000
AA–	**–**	3,124
A+	**743**	–
A	**248**	–
	991	3,124

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

22. CREDIT QUALITY OF FINANCIAL ASSETS (Continued)

Available-for-sale financial assets

	2012 **$'000**	2011 $'000
Others	**962**	962

Bank deposits

	2012 **$'000**	2011 $'000
A	**–**	245
BBB+	**403,283**	1,078,751
	403,283	1,078,996

Financial assets at fair value through profit or loss

	2012 **$'000**	2011 $'000
AA–	**–**	18,011
A+	**24,819**	–
	24,819	18,011

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

23. ACCOUNTS RECEIVABLE, NET

	2012 **$'000**	2011 $'000
Accounts receivable	**611,141**	458,499
Less: Provision for impairment	**(43,192)**	(11,388)
	567,949	447,111

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (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 180 days.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

23. ACCOUNTS RECEIVABLE, NET (Continued)

At 31 December 2012, the aging analysis of the accounts receivable from customers was as follows:

	2012	2011
	$'000	$'000
0-30 days	**161,854**	144,204
31-60 days	**121,221**	84,116
61-90 days	**80,909**	62,237
91-120 days	**66,509**	70,463
Over 120 days	**180,648**	97,479
	611,141	458,499
Less: Provision for impairment	**(43,192)**	(11,388)
	567,949	447,111

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

	2012	2011
	$'000	$'000
RMB	**596,118**	443,098
US$	**9,802**	10,180
UK pound	**5,221**	5,221
	611,141	458,499

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

	2012	2011
	$'000	$'000
At 1 January	**11,388**	1,677
Provision for impairment	**46,755**	16,740
Receivables written off during the year as uncollectible	**(14,963)**	(7,041)
Reversal of provision for impairment	**(359)**	–
Currency translation differences	**371**	12
At 31 December	**43,192**	11,388

The creation and release of provision for impaired accounts receivable 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

23. ACCOUNTS RECEIVABLE, NET (Continued)

The Group has recognised a loss of approximately HK$46,755,000 (2011: HK$16,740,000) for the impairment of its accounts receivable for the year ended 31 December 2012. The loss has been included in "selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$14,963,000 (2011: HK$7,041,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year.

As at 31 December 2012, accounts receivable of approximately HK$227,134,000 (2011: HK$123,940,000) 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:

	2012 $'000	2011 $'000
0 to 30 days	**83,329**	55,620
31-60 days	**40,247**	15,228
61 – 90 days	**17,561**	12,508
90-120 days	**22,616**	14,554
Over 120 days	**63,381**	26,030
	227,134	123,940

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

	2012 $'000	2011 $'000
Prepayment and deposits	**141,515**	132,547
Other receivables	**661,683**	662,143
	803,198	794,690
Less: Non-current portion	**(53,782)**	(40,489)
Current portion	**749,416**	754,201

Included in other receivables is an amount of approximately RMB408,189,000 (HK$507,501,000) (2011: RMB400,559,000 (HK$490,805,000)) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB408,189,000 (HK$507,501,000) as at 31 December 2012 (2011: RMB400,559,000 (equivalent to approximately HK$490,805,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

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

As at 31 December 2012, other receivables of HK$661,683,000 (2011: HK$662,143,000) 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:

	2012 **$'000**	2011 $'000
Up to 90 days	**573,711**	567,137
91 to 180 days	**25,427**	38,569
Over 180 days	**62,545**	56,437
	661,683	662,143

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

	2012 **$'000**	2011 $'000
RMB	**564,434**	598,790
US$	**34,958**	12,728
HK$	**59,752**	42,254
UK pound	**1,926**	7,659
Other currencies	**613**	712
	661,683	662,143

Include in other receivables as of 31 December 2012 is an amount of HK$28,634,000 (2011: HK$13,851,000) receivable from a company established in PRC. The Group has recorded provision for impairment of HK$13,799,000 (2011: Nil), included in "other (losses)/gains, net" for the year ended 31 December 2012, after taking into account the present value of estimated future cash flows from this company.

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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

25. INVENTORIES

	2012	2011
	$'000	$'000
Decoder devices and satellite receivers	**3,618**	3,908
Premium	**4,752**	3,895
	8,370	7,803

The cost of inventories sold of approximately HK$3,524,000 for the year ended 31 December 2012 (2011: HK$1,406,000) is charged to the consolidated income statement.

26. AMOUNTS DUE FROM/TO RELATED COMPANIES

	2012	2011
	$'000	$'000
Amounts due from related companies		
– CMCC (Note a)	**67,753**	77,895
– STARL (Note b)	**10,523**	13,621
– Jointly controlled entities (Note c)	**5,879**	1,912
– Other related companies	**38**	38
	84,193	93,466
Amounts due to related companies	**1,124**	1,637

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

26. AMOUNTS DUE FROM/TO RELATED COMPANIES (Continued)

At 31 December 2012, the ageing analysis of the amounts due from/to related companies, were as follows:

	2012	2011
	$'000	$'000
Amounts due from related companies		
0 – 90 days	**40,196**	63,240
91 – 120 days	**24,194**	8,010
over 120 days	**19,803**	22,216
	84,193	93,466
Amounts due to related companies		
0 – 90 days	**1,124**	–
91 – 120 days	**–**	–
over 120 days	**–**	1,637
	1,124	1,637

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

	2012	2011
	$'000	$'000
Amounts due from related companies		
RMB	**71,739**	79,066
HK$	**1,931**	779
US$	**10,523**	13,621
	84,193	93,466
Amounts due to related companies		
US$	**1,124**	1,637

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

26. AMOUNTS DUE FROM/TO RELATED COMPANIES (Continued)

(a) As at 31 December 2012, amount due from China Mobile Communications Corporation ("CMCC") and its subsidiaries ("CMCC Group") , a substantial shareholder of the Company, is approximately HK$67,753,000 (2011: HK$77,895,000) (Note 41(i)(j)). Extra Step Investments Limited, a subsidiary of the CMCC Group, is a substantial shareholder of the Company.

(b) As at 31 December 2012, amount due from Satellite Televisions Asia Region Limited ("STARL") is HK$10,523,000 (2011: HK$13,621,000). 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 41(i)(a)).

(c) Included in amount due from jointly controlled entities as of 31 December 2012 is an amount of HK$6,860,000 (2011: Nil) receivable from a jointly controlled entity. The Group has recorded provision for impairment of HK$4,045,000 (2011: Nil), included in "other (loss)/gain net", for the year ended 31 December 2012, after taking into account the present value of estimated future cash flows from the jointly controlled entity.

(d) The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand (2011: same).

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

(f) 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

	2012 **$'000**	2011 $'000
Investments at fair value	**24,819**	18,011

As at 31 December 2012, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$24,819,000 (2011: HK$18,011,000).

Changes in fair values of financial assets at fair value through profit or loss are recognised in "other (losses)/gains, net" in the consolidated income statement (Note 6).

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. The fair value of these shares is based on the current bid prices in an active market. As at 31 December 2012, the closing price of the shares of HSBC was HK$81.3 (2011: HK$59). If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, post-tax profit for the year would have been HK$12,409,000 higher/lower.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

28. BANK DEPOSITS

	2012	2011
	$'000	$'000
Short-term deposits (Note a)	**403,283**	1,078,996

(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:

	2012	2011
	$'000	$'000
RMB	**292,175**	969,548
US$	**111,108**	109,448
	403,283	1,078,996

29. RESTRICTED CASH

Restricted cash represents funds pledged to banks to secure banking guarantee and advance payment.

	Group	
	2012	2011
	$'000	$'000
RMB	**249**	–
UK pound	**742**	3,124
	991	3,124

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,622,645**	1,178,151	**2,432**	1,956
Short-term bank deposits	**1,087,823**	367,335	**–**	–
	2,710,468	1,545,486	**2,432**	1,956
Maximum exposure to credit risk	**2,709,308**	1,543,170	**2,432**	1,956
Denominated in:				
– HK$	**109,189**	34,258	**2,309**	1,832
– RMB	**1,580,489**	700,462	**–**	–
– US$	**1,008,303**	799,224	**123**	124
– Other currencies	**12,487**	11,542	**–**	–
	2,710,468	1,545,486	**2,432**	1,956

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

As at 31 December 2012, the Group has undrawn banking facilities of HK$14,090,000 (2011: HK$13,584,000).

32. SHARE CAPITAL

	2012		2011	
	Number of shares	**Amount**	Number of shares	Amount
		$'000		$'000
Authorised:				
Ordinary share of $0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 January	**4,992,985,500**	**499,298**	4,987,031,500	498,703
Exercise of share options	**600,000**	**60**	5,954,000	595
At 31 December	**4,993,585,500**	**499,358**	4,992,985,500	499,298

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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:

	2012		2011	
	Average exercise price in HK$ per share	**Options '000**	Average exercise price in HK$ per share	Options '000
At 1 January	**2.77**	**116,608**	1.30	18,989
Granted	**–**	**–**	2.92	107,610
Exercised	**0.79**	**(600)**	1.27	(5,954)
Lapsed	**2.92**	**(1,140)**	2.18	(4,037)
At 31 December	**2.78**	**114,868**	2.77	116,608

Management appointed an independent valuer, Grant Sherman Appraisal Limited, to estimate the fair values of options at the grant dates. The fair values of the options were determined using the Black-Scholes model. The fair value of the 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 2012, out of the 114,868,000 outstanding options (2011: 116,608,000 options), 35,593,500 (2011: 9,094,000) were exercisable. Options exercised in 2012 resulted in 600,000 shares (2011: 5,954,000 shares) being issued at HK$0.79 each (2011: HK$1.27). The related weighted average share price at the time of exercise was HK$2.96 (2011: HK$3.43) per share.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

33. SHARE-BASED COMPENSATION (Continued)

(a) Share options of the Company (Continued)

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

Expiry date	Exercise price HK$ per share	Options 2012 '000	Options 2011 '000
19 December 2012	0.79	**–**	600
25 March 2017	1.45	**6,470**	6,470
21 July 2019	1.17	**4,048**	4,048
8 March 2021	2.92	**101,560**	102,700
27 June 2021	3.06	**2,790**	2,790
		114,868	116,608

(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 on 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:

	2012 Average exercise price in US$ per share	**2012** Options '000	2011 Average exercise price in US$ per share	2011 Options '000
At 1 January	**0.03215**	**19,342**	0.03215	83,373
Lapsed/cancelled	**0.03215**	**(457)**	0.03215	(19,434)
Exercised	**0.03215**	**(4,888)**	0.03215	(44,597)
At 31 December	**0.03215**	**13,997**	0.03215	19,342

As at 31 December 2012, out of the 13,997,000 outstanding options (2011: 19,342,000), 13,017,000 (2011: 16,806,000) were exercisable. Options exercised in 2012 resulted in 4,888,000 shares (2011: 44,597,000) being issued at US$0.03215 each (2011: US$0.03215). The related weighted average share price at the time of exercise was US$0.67 (2011: US$0.71) per share.

Share options outstanding as at 31 December 2012 will expire on 25 May 2018 and have an exercise price of US$0.03215.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

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:

	2012 RSU '000	2011 RSU '000
At 1 January	**4,257**	–
Granted (Note (i))	**–**	10,051
Vested	**(1,967)**	(4,757)
Lapsed	**(603)**	(1,037)
At 31 December	**1,687**	4,257

Movement in RS during the year is as follows:

	2012 RS '000	2011 RS '000
At 1 January	**9,712**	–
Granted (Note (ii))	**–**	19,008
Vested	**(4,702)**	(9,296)
Lapsed	**(250)**	–
At 31 December	**4,760**	9,712

(i) On 17 March 2011, PNM granted 10,051,000 RSU to the employees. Those RSU 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

33. SHARE-BASED COMPENSATION (Continued)

(d) Restricted shares of PMM

On 29 May 2011, PMM 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.

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	(Accumulated deficit)/ retained earnings $'000	Total $'000
At 31 December 2010	420,066	3,530	(52,250)	371,346
Exercise of share options	6,975	–	–	6,975
Lapse of share options	1,339	(1,339)	–	–
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)
Share-based compensation expenses	–	47,617	–	47,617
At 31 December 2011	29,804	49,808	944,430	1,024,042
Exercise of share options	414	–	–	414
Lapse of share options	231	(231)	–	–
Loss for the year	–	–	(4,403)	(4,403)
Dividends related to 2011	–	–	(209,731)	(209,731)
Share-based compensation expenses	–	36,388	–	36,388
At 31 December 2012	30,449	85,965	730,296	846,710

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

35. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

(a) Group

	2012 **$'000**	2011 $'000
Accounts payable	**237,568**	180,724
Other payables and accruals	**373,800**	326,914
	611,368	507,638
Less: Non-financial liabilities	**(14,709)**	(7,404)
	596,659	500,234

At 31 December 2012, the ageing analysis of the accounts payable was as follows:

	2012 **$'000**	2011 $'000
0-30 days	**104,163**	44,239
31-60 days	**19,729**	43,268
61-90 days	**11,482**	13,385
91-120 days	**18,883**	19,613
Over 120 days	**83,311**	60,219
	237,568	180,724

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:

	2012 **$'000**	2011 $'000
HK$	**132,886**	105,169
RMB	**453,537**	380,523
US$	**6,417**	10,929
UK pound	**3,135**	2,880
Others	**684**	733
	596,659	500,234

(b) Company

The amount represents accruals for administrative expenses of HK$445,000 (2011: HK$1,044,000). The carrying amount approximates its fair value and is denominated in HK$.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

36. BORROWINGS

	Group	
	2012	2011
	$'000	$'000
Secured bank borrowings (Note a)	**594,297**	478,480
Loans from non-controlling shareholders of a subsidiary (Note b)	**35,931**	–
	630,228	478,480

(a) Secured bank borrowings

	2012	2011
	$'000	$'000
Non-current		
Long-term secured bank borrowings	**522,186**	478,480
Less: Current portion of long-term secured bank borrowings	**(2,487)**	(478,480)
	519,699	–
Current		
Short-term secured bank borrowings	**72,111**	–
Current portion of long-term secured bank borrowings	**2,487**	478,480
	74,598	478,480
Total secured bank borrowings	**594,297**	478,480

	2012	2011
	$'000	$'000
The long-term secured bank borrowings are repayable as follows:		
– Within one year	**2,487**	478,480
– More than one year but not exceeding two years	**519,699**	–
	522,186	478,480

Secured bank borrowings are denominated in RMB and bear interest at an average rate of 7.37% annually (2011: 6.79%).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

36. BORROWINGS (Continued)

(a) Secured bank borrowings (Continued)

Bank borrowings are secured by the land in Chaoyang Park with carrying values of approximately HK$116,000,000 (2011: HK$117,000,000), HK$315,000,000 (2011: HK$203,000,000) and HK$889,000,000 (2011: HK$676,000,000) recorded in lease premium for land, construction in progress and investment properties respectively as at 31 December 2012.

(b) The loans from non-controlling shareholders of a subsidiary are denominated in RMB, unsecured, interest-free and repayable on demand.

(c) Preference share liability

In 2009, PNM entered into the Preferred Shares 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.

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 39(a)).

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

36. BORROWINGS (Continued)

(c) Preference share liability (Continued)

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

	2012 $'000	2011 $'000
Preferred Shares – initial measurement of host debt	–	215,041
Currency translation differences	–	493
Add: Interest accretion during the year	–	17,613
Less: Conversion into PNM class A Shares	–	(233,147)
	–	–
Derivative component – initial measurement	–	192,974
Currency translation differences	–	461
Add: Change in fair value during the year	–	947,100
Less: Conversion into PNM class A shares	–	(1,140,535)
	–	–
Preference share liability	–	–

The fair value of the Preferred Shares was determined using the discounted cash flow method. The significant assumptions used for 2011 were discount rate of 21.09%; volatility of 54.89% and annual risk-free interest rate of 3.16%. 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Secured bank borrowings	594,297	478,480	594,297	478,480
Loans from non-controlling shareholders of a subsidiary	35,931	–	35,931	–
	630,228	478,480	630,228	478,480

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

37. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the consolidated balance sheet are analysed as follows:

	2012	2011
	$'000	$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(13,244)**	(18,693)
– Deferred income tax assets to be recovered within 12 months	**(21,379)**	(14,580)
	(34,623)	(33,273)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**79,112**	76,453
Deferred income tax liabilities, net	**44,489**	43,180

The gross movements in the deferred income tax liabilities, net are as follows:

	2012	2011
	$'000	$'000
At 1 January	**43,180**	34,474
Charged to the consolidated income statement (Note 9)	**302**	6,712
Currency translation differences	**1,007**	1,994
At 31 December	**44,489**	43,180

Deferred taxation for the year ended 31 December 2012 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2011: 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$526,686,000 as at 31 December 2012 (2011: HK$461,790,000) to carry forward against future taxable income. Approximately HK$521,411,000 (2011: HK$454,566,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2028.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

37. DEFERRED INCOME TAX (Continued)

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

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of investment properties		Total	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**17,396**	32,910	**59,057**	14,789	**76,453**	47,699
(Credited)/charged to the consolidated income statement	**(5,560)**	(15,514)	**10,926**	42,227	**5,366**	26,713
Currency translation differences	**471**	–	**881**	2,041	**1,352**	2,041
At 31 December	**12,307**	17,396	**70,864**	59,057	**83,171**	76,453

Deferred income tax assets

	Tax losses		Decelerated tax depreciation		Provisions		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(17,891)**	(13,112)	**(584)**	(113)	**(14,798)**	–	**(33,273)**	(13,225)
(Credited)/charged to the consolidated income statement	**971**	(4,779)	**584**	(471)	**(6,619)**	(14,751)	**(5,064)**	(20,001)
Currency translation differences	**–**	–	**–**	–	**(345)**	(47)	**(345)**	(47)
At 31 December	**(16,920)**	(17,891)	**–**	(584)	**(21,762)**	(14,798)	**(38,682)**	(33,273)

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

38. CASH GENERATED FROM/(USED IN) OPERATIONS

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

	2012	2011
	$'000	$'000
Profit before income tax	**1,195,341**	155,997
Amortisation of lease premium for land	**5,705**	5,638
Depreciation of property, plant and equipment	**169,433**	141,020
Amortisation of purchased programme and film rights and other charges	**29,916**	25,421
Amortisation of intangible assets	**1,555**	1,734
Share-based compensation expense	**45,392**	129,024
Provision for impairment of accounts receivable	**46,755**	16,740
Reversal of provision for accounts receivable	**(359)**	–
Provision for impairment of other long-term assets	**13,799**	–
Provision for amounts due from jointly controlled entities	**28,895**	–
Loss on disposal of property, plant and equipment	**1,282**	355
Share of (profits)/losses of jointly controlled entities	**(3,644)**	4,819
Share of profit of an associate	**(15)**	(1,028)
Fair value gain on investment properties	**(43,807)**	(127,488)
Interest income	**(58,300)**	(21,896)
Investment income	**(1,184)**	(902)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(6,808)**	6,319
Fair value loss on preference share liability – derivative component	**–**	947,100
Interest expenses – preference share liability	**–**	17,613
Increase in accounts receivable	**(167,234)**	(252,435)
Decrease/(increase) in prepayments, deposits and other receivables	**12,236**	(282,646)
Increase in inventories	**(567)**	(1,145)
Decrease/(increase) in amounts due from related companies	**5,228**	(63,761)
Decrease/(increase) in self-produced programmes	**6,837**	(420)
Decrease/(increase) in bank deposits	**675,713**	(965,716)
Increase in accounts payable, other payables and accruals	**124,773**	77,715
Increase in other long-term liabilities	**–**	6,743
(Decrease)/increase in deferred income	**(1,550)**	49,892
Decrease in amounts due to related companies	**(513)**	(9,735)
Cash generated from/(used in) operations	**2,078,879**	(141,042)

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

39. TRANSACTION WITH NON-CONTROLLING INTEREST

(a) Disposal of partial interest and acquisition of additional 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) 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. The final offer price of the ADSs was US$11(approximately HK$85.8) per ADS.

During the year ended 31 December 2012, PNM had repurchased an aggregate of 2,273,695 ADSs at an aggregate cost of approximately US$8.3 million (HK$64,269,000) on the open market. Under its ADS repurchase program, PNM has been authorised to repurchase up to US$20.0 million (approximately HK$155,000,000) of its outstanding ADSs for a period not exceeding twelve months since August 2012. PNM expects to continue to implement its share repurchase program in a manner consistent with market conditions and the interest of its shareholders, subject to the restrictions relating to volume, price and timing under applicable law.

During the year ended 31 December 2011, as a result of the grant of restricted shares and the Offering and the conversion of Preferred Shares (Note 36(c)), 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 approximately 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 during the year ended 31 December 2011.

During the year ended 31 December 2012, as a result of the vesting of restricted shares and restricted shares units, the exercise of share options by the option holders and the repurchase of ADSs, the Group's equity interest in PNM was increased from 51.71% to 51.87%. The Group recognised a deemed net gain of approximately HK$29,157,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$46,913,000 for the year ended 31 December 2012.

(b) Disposal of partial interest in PMM

On 29 May 2011, PMM 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 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 (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 as it has the ability to direct the relevant activities of PMM i.e. the activities that significantly affect PMM. As a result of the capital increase, the Group recognised a gain on deemed disposal of partial interest in PMM 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 ended 31 December 2011.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

39. TRANSACTION WITH NON-CONTROLLING INTEREST (Continued)

(c) Acquisition 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 ended 31 December 2011.

40. COMMITMENTS

(a) Service charges

As at 31 December 2012, the Group had committed service charges payable to STARL in respect of a service agreement expiring on 30 June 2015 and service charges payable to Fox News in respect of service agreement expiring on 31 December 2014. Total committed service charges payable to STARL and to Fox News are analysed as follows:

	2012	2011
	$'000	$'000
Not later than one year	**16,322**	10,362
Later than one year and not later than five years	**22,300**	1,309
	38,622	11,671

(b) Operating lease

As at 31 December 2012, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2012	2011
	$'000	$'000
Not later than one year	**143,835**	116,341
Later than one year and not later than five years	**437,116**	450,978
Later than five years	**143,045**	75,388
	723,996	642,707

(c) Capital commitments

As at 31 December 2012, the Group had capital commitments as follows:

	2012	2011
	$'000	$'000
Authorised but not contracted for	**215,265**	300,350
Contracted but not provided for	**129,787**	307,584
	345,052	607,934

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

40. COMMITMENTS (Continued)

(d) Other commitments

As at 31 December 2012, the Group had other operating commitments under various agreements as follows:

	2012 **$'000**	2011 $'000
Not later than one year	**85,859**	61,889
Later than one year and not later than five years	**91,552**	97,324
Later than five years	**3,111**	–
	180,522	159,213

41. RELATED PARTY TRANSACTIONS

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

	Note(s)	**2012** **$'000**	2011 $'000
Service charges paid/payable STARL	a, b	**18,558**	19,084
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	**4,386**	4,470
Film license fees paid/payable to Fortune Star and Fortune Star Media	d, e	**1,721**	3,326
Licence fee paid/payable to NGC	d, e	**585**	1,056
Service charges paid/payable to Fox News	d, f	**581**	411
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	g, h	**1,017**	1,036
Service charges received/receivable from CMCC Group	i, j	**191,330**	170,463
Service charges paid/payable to the CMCC Group	i, k	**78,573**	82,319
Advertising sales to the CMCC Group	i, l	**57,310**	49,684
Key management compensation	iii	**33,195**	31,492

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

41. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

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. 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% (2011: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) Fox News, 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.

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

(f) Service charges paid/payable to Fox News 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.

(g) 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.

(h) 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.

(i) 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.

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

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

(l) 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.

Notes to the Consolidated Financial Statements

(Amounts expressed in Hong Kong dollars)

41. RELATED PARTY TRANSACTIONS (Continued)

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

(iii) Key management compensation

	2012	2011
	$'000	$'000
Salaries	**15,166**	14,040
Discretionary bonuses	**10,515**	10,398
Housing allowance	**6,115**	5,760
Pension costs	**1,399**	1,294
	33,195	31,492

42. SUBSEQUENT EVENTS

On 28 February 2013, PNM obtained a short-term credit facility for working capital purposes of RMB30,000,000 (approximately HK$37,299,000) from a bank. The facility will expire on 28 February 2014. As of 15 April 2013, the facility had not been utilised.

On 15 March 2013, PNM granted up to 18,708,400 options to its employees under the refreshed limit of the PNM Share Option Scheme approved on 20 June 2008. The exercise price is US$0.4459 per share or US$3.5674 per ADS.

Financial Summary

(Amounts expressed in Hong Kong dollars)

CONSOLIDATED RESULTS

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000	Year ended 31 December 2008 $'000
Results					
Revenue	**4,336,360**	3,639,445	2,565,390	1,519,648	1,375,829
Operating expenses	**(2,589,236)**	(2,273,489)	(1,527,189)	(992,155)	(931,277)
Selling, general and administrative expenses	**(649,063)**	(453,607)	(315,245)	(202,383)	(164,544)
Other (losses)/gains	**97,280**	(756,352)	(170,042)	53,612	53,175
Profit before income tax and non-controlling interests	**1,195,341**	155,997	552,914	378,722	333,183
Income tax expense	**(248,056)**	(229,460)	(108,490)	(76,735)	(57,594)
Profit/(loss) before non-controlling interests	**947,285**	(73,463)	444,424	301,987	275,589
Non-controlling interests	**(113,918)**	6,578	(22,602)	(2,241)	11,235
Profit/(loss) attributable to owners of the Company	**833,367**	(66,885)	421,822	299,746	286,824

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Total assets	**7,201,688**	6,188,929	3,825,883	2,716,942	2,111,386
Total liabilities	**(1,576,472)**	(1,305,946)	(1,368,592)	(658,039)	(281,945)
Non-controlling interests	**(1,390,074)**	(1,317,514)	(250,213)	(227,611)	(223,826)
Equity attributable to owners of the Company	**4,235,142**	3,565,469	2,207,078	1,831,292	1,605,615