20th

PHOENIX
Satellite Television Holdings Limited
鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號 : 02008

ANNUAL REPORT 2016 年度報告

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.

公司使命

全力向着成為各華人群體之間，以及華人群體與世界各地之間的「華語聯繫」的願景發展，鳳凰分享無間的華語節目，包括娛樂、評論節目、亞洲及西方影片、平衡準確的即時新聞，以及全球政治及經濟發展的資訊。

通過演繹這些角色，鳳凰不單令世界逐漸走向中國，同時亦令中國逐漸走向世界。

Contents

2016 Annual Highlights

15
MARCH

On the 20th anniversary of the establishment of Phoenix Satellite Television Company Limited ("Phoenix TV"), the Secretary-General of the United Nations, Mr. Ban Ki Moon, met the Chairman and Chief Executive Officer of the Company, Mr. Liu Changle J.P., and fully confirmed the successful development of Phoenix TV over the past 20 years, and expressed the hope that Phoenix TV would continue to strengthen communication and understanding between different elements of the global population, and make a greater contribution to mutual understanding. The Under-Secretary-General of the UN Department of Economic and Social Affairs, Mr. Wu Hongbo, and the Under-Secretary-General of the Department of Public Information, Ms. Cristina Gallach, accompanied Mr. Ban Ki Moon when he met Chairman Liu.

31
MARCH

Phoenix TV held an event to celebrate its 20th anniversary at the company headquarters in Hong Kong. The Vice Chairman of the Tenth to Twelfth National Committee of the Chinese People's Political Consultative Conference, People's Republic of China, Mr. Tung Chee Hwa, the Chief Executive of the Hong Kong Special Administrative Region, Mr. Leung Chun-ying, and the Director of the Central People's Government's Liaison Office in Hong Kong, Mr. Zhang Xiaoming, all attended this event, which was hosted by two Phoenix TV presenters, Miss Avon Hsieh and Mr. Tiger Hu. The event was broadcasted on all of Phoenix TV's channels around the world.

12
MAY

Phoenix TV held the "Phoenix International Day of Friendship" at the Phoenix International Media Centre in Beijing, with the theme of "bringing the voice of the Chinese people to the world". The event was attended by over a hundred diplomatic representatives from embassies and international organisations based in Beijing.

10
JUNE

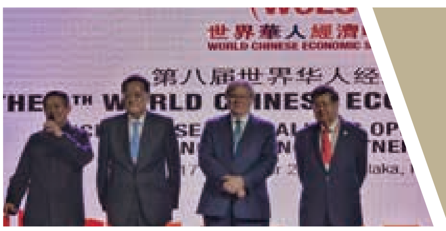
Cambridge University publicly recognized the success on the international media stage of Ms. Theresa Fu Xiaotian, a graduate of the university who has been a Phoenix TV reporter for many years, by naming a garden on the university campus after her. Ms. Theresa Fu now hosts the Phoenix program "Talk with World Leaders", which provides a platform for prominent international political leaders and cultural figures to communicate with the Chinese audience.

26
SEPTEMBER

The World Brand Laboratory and the World Executive Group held the eleventh Asia's 500 Most Influential Brands announcement event in Hong Kong on 26 September, and for the eleventh time Phoenix TV was named as one of the most influential brands in Asia, and was ranked two places higher than last year, and once again was included as one of the four most influential television media brands in Asia. Mr. Yeung Ka Keung, the Executive Vice President and Chief Financial Officer of Phoenix TV, attended the event and received the award.

29
OCTOBER

The Hong Kong SAR Government held a presentation ceremony on 29 October at the Government House, and the Chairman and Chief Executive Officer of the Company, Mr. Liu Changle J.P. was awarded the Gold Bauhinia Star for outstanding achievements in the area of broadcasting and multi-media. Mr. Liu Changle J.P. was also the first mainlander who became a Hong Kong resident in the 1990s to be awarded the Silver and the Gold Bauhinia Stars.



17
NOVEMBER

Mr. Liu Changle J.P., the Chairman and Chief Executive Officer of the Company, attended the World Chinese Economic Summit in Malacca and together with former Taiwan President Ma Ying-jeou presented the former Prime Minister of Australia, Mr. Kevin Rudd, with the Patron's Benevolence Award for his contribution to the development of economic relations between Asia and the West. Former Indonesian President Susilo Bambang Yudhoyono also gave a speech endorsing Mr. Rudd's contribution to Asia's economic development.

20
NOVEMBER

At the 44th International Emmy Awards the Chairman of the Emmy's World Television Programmes, Mr. Liu Changle J.P., Chairman and Chief Executive Officer of the Company, presented awards to all organisations and individuals who were awarded prizes. This was the eleventh year in which Mr. Liu Changle J.P. has served as the President of the International Emmys Television event.

Chairman's Statement

While the profit made by the Group's television business continued to suffer from the slowdown in the Chinese economy, the Group is expanding into other areas and the fair value gain made by the Group's new media investments represented an increase in profit attributable to owners of the Company of 108.9% over the previous year.

Financial Summary

Revenue for the year ended 31 December 2016 was approximately HK$3,798,273,000, which represented a decrease of 9.6% over the previous year.

Profit attributable to owners of the Company was approximately HK$230,515,000, which represented an increase of 108.9% over the previous year.

The board of directors (the "Board" or "Directors") of the Company recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company ("Share(s)").

Results

The revenue of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Phoenix") for the year ended 31 December 2016 was approximately HK$3,798,273,000 (year ended 31 December 2015: HK$4,200,895,000), which represented a 9.6% decrease over the previous year. The slowdown of the Chinese economy and depreciation of the Renminbi ("RMB") have had a negative effect on Phoenix's overall revenue. The operating costs have decreased by 6.9% to approximately HK$3,617,143,000 (year ended 31 December 2015: HK$3,886,425,000).

The operating profit of the Group for the year ended 31 December 2016 was approximately HK$181,130,000 (year ended 31 December 2015: HK$314,470,000), which represented a decrease of 42.4% compared to the previous year.

Fair value gain on derivative financial instruments related to subsequent measurement of new media's investment in Particle Inc. for the year ended 31 December 2016 was approximately HK$182,050,000 (year ended 31 December 2015: loss of HK$44,696,000).

Fair value gain of approximately HK$21,127,000 (year ended 31 December 2015: HK$98,939,000) was recognized for the investment properties in Beijing and London.

The net exchange loss of the Group for the year ended 31 December 2016 was approximately HK$55,812,000 (year ended 31 December 2015: HK$57,213,000) mainly resulting from the depreciation of the RMB.

The profit attributable to owners of the Company was approximately HK$230,515,000 (year ended 31 December 2015: HK$110,349,000), which represented an increase of 108.9% compared to the previous year. New media's investment in Particle Inc. had resulted in a substantial revaluation gain in the current year which boosted our profit at group level.

The chart below summarises the performance of the Group for the year ended 31 December 2016 and the year ended 31 December 2015 respectively.

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Television broadcasting	**1,430,947**	1,598,095
New media	**1,629,661**	1,920,708
Outdoor media	**610,295**	571,521
Real estate	**27,606**	14,650
Other businesses	**99,764**	95,921
Group's total revenue	**3,798,273**	4,200,895
Operating costs	**(3,617,143)**	(3,886,425)
Operating profit	**181,130**	314,470
Fair value gain on investment properties	**21,127**	98,939
Net gain on new media investment		
Fair value gain/(loss) on derivative financial instruments	**182,050**	(44,696)
Interest income	**101,611**	51,249
Gain on disposal of an associate	**–**	4,795
Exchange loss, net	**(55,812)**	(57,213)
Reversal of provision/(provision) for impairment of amounts due from joint ventures	**1,224**	(39,285)
Gain on deemed disposal of a subsidiary	**49,344**	–
Other income, net	**17,001**	991
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**497,675**	329,250
Share of results of joint ventures and associates	**(17,852)**	(37,543)
Income tax expense	**(81,809)**	(139,876)
Profit for the year	**398,014**	151,831
Non-controlling interests	**(167,499)**	(41,482)
Profit attributable to owners of the Company	**230,515**	110,349
Basic earnings per share, Hong Kong cents	**4.61**	2.21

Business Overview and Prospects

The slowing of the Chinese economy over the last year has caused serious challenges for the media business at large, including Phoenix. This downward economic trend has had a negative impact on the advertising income Phoenix has been able to generate in 2016, and made the commercial management of the Company more challenging than previously. The operating profit of the television broadcasting segment decreased due to the relatively fixed cost structure, but it is expected that the Group can operate efficiently until the economy recovers.

A further factor behind this drop in television advertising income has been the rapid growth of the new media in China. This development has posed serious challenges to the traditional television business, with many former television viewers now preferring to watch new media presentations on their mobile phones and computers. The Group anticipated this trend, however, and has been pursuing a strategy designed to expand the iFeng platform of Phoenix New Media and thereby generate income from this rapidly expanding new media world. The results over the past year show that this strategy is well based and is having a positive effect.

There is much evidence to suggest that in the long-term the Group will emerge successfully from the current situation. The Group's competitive edge and core abilities remain strong, signified by its continuing brand influence, premium content, credibility and cross-media convergence strategy. The Group has responded to changes in audience viewing behavior and has implemented a comprehensive mobile strategy, and has developed and acquired mobile apps delivering serious journalism and personal interest-based information to high-end users and the mass market.

While actively developing the new media component, with a refined distribution channels strategy, the Group continues to expand its television broadcasting presence, not only maintaining its traditional distribution through satellite and cable systems, but also reaching global audience by means of OTT (Over-The Top content) and IPTV.

At the same time the Group, as part of its risk management strategy, has also diversified its core media business into new businesses including entertainment, culture, exhibition and event management.

2016 was the 20th anniversary of Phoenix, and the story of the Group's first twenty years underscores that it is a media entity with great potential. When it commenced operations in 1996, Phoenix was a single television channel employing less than 120 employees. With the continuous efforts of all our Group's members to build up the viewership in the PRC, Phoenix has grown exponentially, and now has four channels based in Hong Kong, a North American Channel and a European Channel, as well as a very sophisticated internet media platform, ifeng.com, and has premises in Hong Kong, London and Beijing. It also has a world-wide network of reporters, which enables Phoenix to provide accurate first-hand news about global developments. Phoenix is also listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and ifeng.com is listed on the New York Stock Exchange. In a mere twenty years Phoenix has developed into a major media entity which provides the Chinese community around the world with news, commentaries, entertainment programs, and films.

While Phoenix has faced serious economic challenges, the Group has continued to enjoy a very high status on the global stage. The Secretary-General of the United Nations, Mr Ban Ki Moon, sent a congratulatory message to Phoenix on its 20th anniversary, as did more than 30 international leaders. In early May Phoenix held an International Day of Friendship at the Phoenix International Media Centre in Beijing and over 100 ambassadors and representatives of international organizations attended the event.

Phoenix has pursued an extremely successful strategy for twenty years, and there is no doubt that this strategy will continue to provide an effective guide for the Group's further development and success. In view of the current negative economic environment Phoenix has made a range of changes to its operational arrangements that enhance its capacity to deal with these challenges, but has continued to maintain its fundamental strategy of providing Chinese-language news and information to the Chinese audience around the world.

In 2016, Phoenix TV reported on many major international news stories, including the Taiwan presidential elections and the appointment of the DPP candidate Tsai Ing-wen as the new leader of Taiwan, President Xi Jinping's visit to Washington where he met with President Obama and discussed countering the terrorist threat and the maintenance of world peace and security, and his visit to Slovakia, Poland, and Uzbekistan. Phoenix TV also covered the Myanmar elections which led to the appointment of Aung San Suu Kyi to a senior government post, the Presidential election in the Philippines and the election of Rodrigo Duterte, who before a visit to China was interviewed by a Phoenix TV reporter, and the war in Syria. A Washington-based reporter also held an exclusive interview with the United States Secretary of State, John Kerry. Phoenix TV covered the American Presidential elections, and produced the most comprehensive and thorough reporting of the election by a Chinese-language media organization. Phoenix TV reporters also went to Iraq and produced a series of reports on developments there, called "Deeply Into Iraq", which included an exclusive interview with the President of Iraq, Fuad Masum.

Phoenix Chinese Channel has responded to the changing business environment by reviewing programs and seeking to meet the changing interests of the mass audience by introducing new material. This approach is conducted with a long-term view, and only leads to the production of new programs after careful consideration of audience preferences. Phoenix has also increased the coordination between program production and advertising marketing in order to ensure that the programs that Phoenix produces and broadcasts all have an appeal to potential advertisers. There has also been some reorganization of the advertising department in order to make it better equipped to meet the changing character of the advertising market. There have also been reports from global consultancy firms that indicate that the mainland luxury goods market is beginning to recover, which suggests that in due course Phoenix will be able to benefit from growing consumer demand for luxury goods produced by companies that will need to advertise their products to attract Chinese buyers. Thus, while Phoenix faces a difficult economic environment at present, the long-term prospects for the Group look promising.

A Global Media Organisation

Asia Pacific

As a satellite broadcaster, Phoenix TV is primarily distributed by AsiaSat 7, which has a footprint covering the Asia-Pacific region. In the Mainland China, Phoenix is downlinked to many regional cable networks by APSTAR-6, 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 TV is carried by Astro, the major DTH operator.

Singapore

Phoenix TV is carried by StarHub.

Indonesia

Phoenix TV is carried by First Media, Skynindo and Big TV.

Thailand

Phoenix TV is carried by True Visions.

Philippines

Phoenix TV is carried by SKY Cable.

Japan

Phoenix TV is carried by Daifu.

Australia

Phoenix TV is carried by the Jade Interactive system and is also available from AsiaSat 7.

New Zealand

Phoenix TV is carried by World TV.

Africa

Phoenix Chinese News and Entertainment Channel ("Phoenix CNE Channel") is distributed through MIH platform to 38 countries in Africa, and is also transmitted over terrestrial TV network of StarTimes, covering 11 African countries including South Africa. Phoenix InfoNews Channel is distributed through ZTE platform to the whole Africa.

North America

Phoenix North America Chinese Channel ("Phoenix NA Chinese Channel"), Phoenix InfoNews Channel and Phoenix Hong Kong Channel are carried on satellite by Galaxy 3C, Anik F3, DirecTV and EchoStar and are also on the biggest IPTV platform Kylin. Phoenix NA Chinese Channel 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 CNE Channel is carried by Sky Digital, Astra 2G, Eutelsat 36B and other cable and IPTV systems in Europe.

Phoenix Chinese Channel
Phoenix InfoNews Channel
Phoenix Hong Kong Channel
Phoenix NA Chinese Channel
Phoenix CNE Channel
Phoenix Movies Channel

Phoenix global reach

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

Phoenix Satellite Television
Holdings Limited

20th Anniversary

Global Outlook

Phoenix TV is a Chinese language media organization with international coverage, and its programming is characterized by its global vision and its dedication to providing the Chinese-speaking audience with real-time world news and information, from the Greater China region to the Middle East, Africa, Europe, the United States and the Asia-Pacific region.

In 2016, Phoenix TV reported on many major news stories around the world and also participated in a number of important international events. The following provides a sense of Phoenix TV's international role as a news reporter and supporter of global harmony:

1. On 6 January, North Korea successfully conducted an atomic bomb test, attracting global attention and creating regional tension, especially in South Korea. Phoenix TV's reporter Jin Zhixian delivered in-depth coverage of the response of the South Korean government and the counter measures it introduced in response to the North Korean nuclear program. North Korea subsequently conducted several missile tests and a nuclear test in September, leading to a turbulent time on the Korean peninsula. Meanwhile, South Korean President Park Geun-hye faced impeachment trial as a result of allegations involving the level of access to the presidency by an aide, and Phoenix TV provided full coverage of this controversy.

2. In early March, Phoenix TV's reporter based in Moscow, Lu Yuguang, went to Syria with a delegation of Russian journalists to report on the conflict there. While interviewing locals in a town near the Turkish border there was an artillery attack by a terrorist unit. The first shell landed about 100 metres from the group of reporters, but the following shots came closer. Several of the journalists were injured, including Lu Yuguang, who suffered minor wounds to his hand and leg. Lu Yuguang's experience reflects the dangers that Phoenix TV's reporters often face when reporting first-hand on international crises.

3. In April, Phoenix TV cooperated with UNESCO to produce a documentary on Nepal, focusing on the cultural revival and improvement of the people's livelihood following the earthquake that devastated parts of Nepal in the previous year. In her first visit to Nepal the head of UNESCO, Ms. Irina Bokova, met with the Chairman and Chief Executive Officer of Phoenix, Mr. Liu Changle, at Nepal Kathmandu Airport and they both participated in a UNESCO heritage tour of Nepal.

4. The Washington-based reporter, Wang Bingru, had an exclusive interview with the United States Secretary of State, John Kerry, on 6 June, at the eighth session of the China/United States Strategic and Economic Dialogue. In the course of the interview Kerry spoke about the South China Sea and the need for China to cooperate in curbing North Korea's development of nuclear weapons and rockets that could deliver nuclear bombs.

5. From 20 to 31 July, a group of Taiwan fishermen sailed to Taiping Island in the South China Sea, which Taiwan has occupied for 70 years, to support Taiwan's sovereignty over the island. In order to emphasise their message the fishermen remained in the waters surrounding the island for twelve days. Phoenix TV was the only media company to follow and report on the sailors demonstrations for the entire time, with first-hand real-time reports broadcast every day. On 31 July, the three Phoenix TV's reporters returned safely with the fishing boats to Donggang Port south of Kaohsiung.

6. In August, a coup d'etat was attempted in Turkey, but President Erdogan managed to reassert control and defeat the coup supporters in a short period, which saw 265 deaths and thousands of civilian injuries. Many military personnel, judicial officials and government officers involved in the coup were arrested. These dramatic developments were reported first-hand by Miertuotu, Phoenix TV's reporter in Turkey.

7. On 13 October, before setting out on a visit to China, the newly elected Philippines President Duterte, was exclusively interviewed by a Phoenix TV's reporter, Zhu Yanfang. Duterte said that he was grateful for the invitation from President Xi Jinping and was very looking forward to the visit and emphasised that while he was in office Philippines relations with China would develop, be cooperative, and avoid conflicts.

8. In early November, Ms. Agi Veres, the Country Director of the United Nations Development Program (UNDP) in China, and a group of her colleagues visited the Phoenix Centre in Beijing and met with Phoenix Chairman Liu Changle and Executive Vice President He Daguang, and discussed the continued global development of the Chinese economy. Liu Changle said that he was very grateful for the UNDP's contribution to China and the two sides signed a three-year agreement on media cooperation between Phoenix TV and UNDP.

9. In November and early December, Phoenix TV mobilized a large number of reporters and commentators to cover the American Presidential elections. The coverage of the election that the Phoenix TV's team provided represented the most comprehensive and thorough reporting by a Chinese-language media organization.

10. In December, a team of Phoenix TV's reporters entered Iraq and produced a series of reports on developments there, called "Deeply Into Iraq". Phoenix TV's reporter Jiang Xiaofeng conducted an exclusive interview with the President of Iraq, Fuad Masum, which was the first interview he had conducted with a Chinese media group. He expressed the view that Iraq was on the front line of the war against terrorism and that Iraq hoped that it would receive more international support.

A Global Team

MAINLAND CHINA

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

The core of the Phoenix TV's team is drawn from various provinces and regions of Mainland China, from regional centres such as Shaanxi, Yunnan, Anhui, Hebei, Hunan and Fujian, as well as from major cities like Beijing, Shanghai, and Guangzhou.


JIANG NAN


LI KEFU


DOU WENTAO


HUANG CHENGZI


LIANG YIN


LI HUI


WANG FENG


LU CHEN


REN REN

MAINLAND CHINA


LIU RUI


AI CHUYI


WANG QING


WANG LUXIANG


YUCHI LINJIA


TIAN CHUAN


BAI YANQIN

TIAN TONG

CHENG HELIN

XU GEHUI

QUAN QUAN

WANG YING

ZHAO QINGQING

SONG ZHONGPING

GUO YANGZI

YANG JUAN

TAIWAN

Some of the most popular Phoenix TV's presenters come from Taiwan, bringing a distinctive style that appeals to the audiences from Mainland China.


SEAN JAO


AVON HSIEH


JASON CHIEN


GRACE LI


IVY CHU


COCO CHEN

SHANNON LIU

TIGER HU

JADE LIN

SHIH CHI-PING

SALLY WU

VIE TSENG

YI NAI-CHIN

JULIA LIN

HONG KONG AND REST OF THE WORLD

With its headquarters in Hong Kong, Phoenix TV 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 TV.

The Phoenix TV's 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.


LAWRENCE HO
OLIVER LU
CHIANG SHENG-YANG
MA DING SHING
PETER QIU
FU XIAOTIAN
ZHU WENHUI
LILY SIU
ZHENG HAO
NANCIE ZHU
ANGEL LEE
GENG XIN
ANTHONY YUEN

The Chinese Gateway

According to the 2016 "Phoenix TV Audience Satisfaction Research" conducted by CTR Market Research, Phoenix Chinese Channel continued to surpass other satellite channels in China by securing the No.1 position in the Audience Satisfaction Index. Since 2004, this is the twenty-fifth time in which Phoenix Chinese Channel has ranked at the top of the Audience Satisfaction chart.

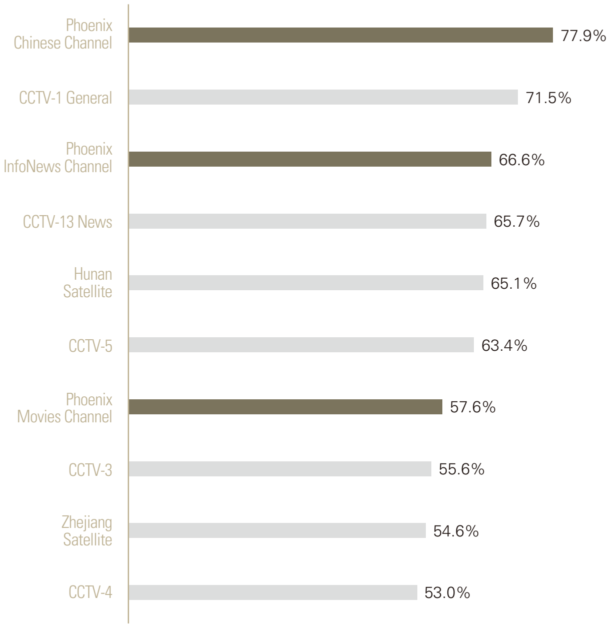
Regarding the top channels for breaking news and significant events, Phoenix Chinese Channel and Phoenix InfoNews Channel receive high percentage of audience's choice; it exemplifies that news on Phoenix TV is professional, quick response and comprehensive reportage.

Phoenix Chinese channel is well-received by business executives in China with top level of attention*; and Phoenix InfoNews also ranks at no. 5 nationwide channel position. These figures clearly demonstrate the extensive influence that Phoenix Satellite Television enjoys amongst Chinese Business Executives. Also, the information and news satisfies the tastes and interests of this group of viewers.

*Remarks: Level of Attention = The number of viewers who select the channel with favorite TV programmes, divided by total respondents of the survey, expressed in percentage.
Business Executives: Main or Key Business Purchase Decision Makers at Work

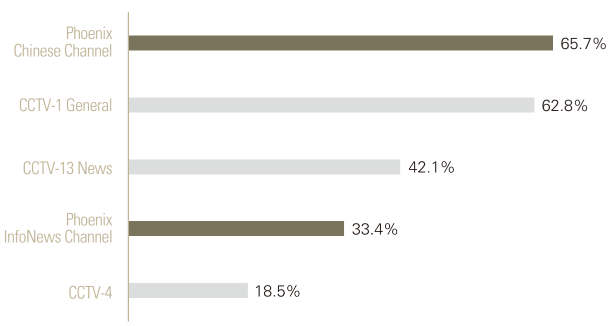
Source: 2016 CTR Phoenix TV Audience Satisfaction Research
Base: respondents who are able to receive the Phoenix TV's channels at home

Audience Satisfaction



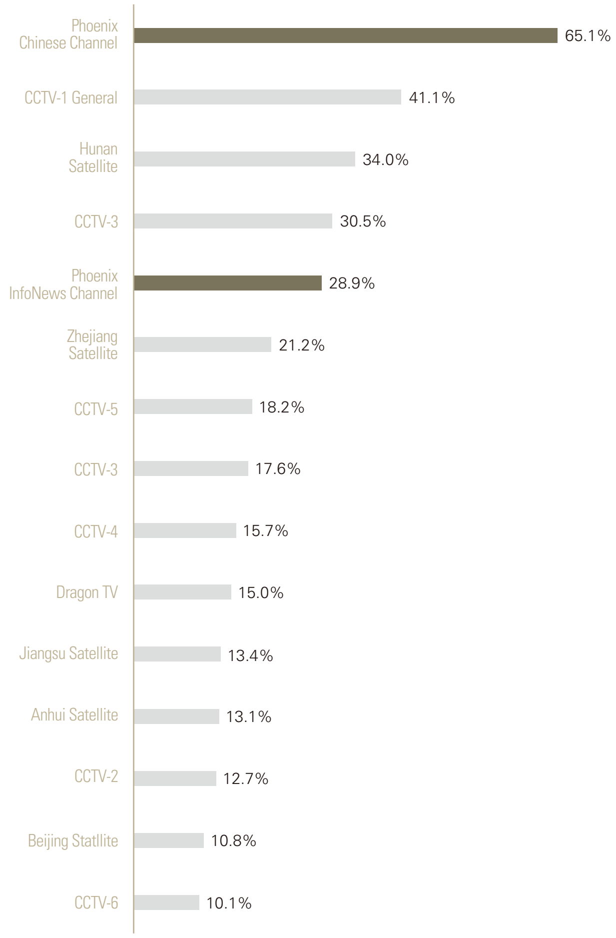
Nationwide channels

Phoenix TV is the top choice for breaking news and significant events



Nationwide channels

Phoenix Chinese Channel receives the most attention among Business Executives*



Nationwide channels

*Remarks: Level of Attention = The number of viewers who select the channel with favorite TV programmes, divided by total respondents of the survey, expressed in percentage.
Business Executives: Main or Key Business Purchase Decision Makers at Work

Source: 2016 CTR Phoenix TV Audience Satisfaction Research
Base: respondents who are able to receive the Phoenix TV's channels at home

Corporate Information

BOARD OF DIRECTORS

Executive Directors
LIU Changle *(Chairman and CEO)*
CHUI Keung *(Deputy CEO)*
WANG Ji Yan

Non-executive Directors
SHA Yuejia
XIA Bing
GONG Jianzhong
SUN Yanjun

Independent Non-executive Directors
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei
HE Di

Alternate Director
LAU Wai Kei, Ricky

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
GONG Jianzhong

NOMINATION COMMITTEE
Thaddeus Thomas BECZAK *(Chairman)*
LEUNG Hok Lim
CHUI Keung

REMUNERATION COMMITTEE
Thaddeus Thomas BECZAK
LEUNG Hok Lim
XIA Bing

RISK MANAGEMENT COMMITTEE
CHUI Keung *(Chairman)*
Thaddeus Thomas BECZAK
LEUNG Hok Lim
GONG Jianzhong
YEUNG Ka Keung
HE Daguang
SHI Ningning

INDEPENDENT AUDITOR
PricewaterhouseCoopers

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Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR
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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

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

STOCK CODE
02008

Management Discussion and Analysis

Comments on Segmental Information

	Year ended 31 December			
	2016		2015	
	Revenue HK$'000	**Segment result HK$'000**	Revenue HK$'000	Segment result HK$'000
Television broadcasting	**1,430,947**	**417,619**	1,598,095	521,704
New media	**1,629,661**	**389,113**	1,920,708	153,634
Outdoor media	**610,295**	**67,283**	571,521	63,806
Real estate	**27,606**	**(47,251)**	14,650	1,106
Other businesses	**99,764**	**(7,442)**	95,921	(92,057)
Group's total revenue and segment results	**3,798,273**	**819,322**	4,200,895	648,193
Unallocated income		**28,080**		51,047
Unallocated expenses		**(349,727)**		(369,990)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**497,675**		329,250

Revenue from television broadcasting, comprising of advertising, subscription and other revenue sources, which accounted for 37.7% of the total revenue of the Group for the year ended 31 December 2016, decreased by 10.5% to approximately HK$1,430,947,000 (year ended 31 December 2015: HK$1,598,095,000). The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. Due to the relatively fixed cost structure, the segmental profit for the television broadcasting business decreased to approximately HK$417,619,000 for the year ended 31 December 2016 (year ended 31 December 2015 HK$521,704,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 34.5% of the total revenue of the Group for the year ended 31 December 2016, decreased by 9.7% to approximately HK$1,310,632,000 (year ended 31 December 2015: HK$1,451,302,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased by 18% as compared to the previous year to approximately HK$120,315,000 (year ended 31 December 2015: HK$146,793,000).

The revenue of the new media business for the year ended 31 December 2016 decreased by 15.2% to approximately HK$1,629,661,000 (year ended 31 December 2015: HK$1,920,708,000) due to the decrease in mobile value-added services resulting from the decrease in user demands. The segmental profit of new media business for the year ended 31 December 2016 increased by 153.3% to approximately HK$389,113,000 (year ended 31 December 2015: HK$153,634,000). Increase in segmental profit was primarily due to increase in net gain related to subsequent measurement of the investment in Particle Inc. to HK$283,661,000 for the year ended 31 December 2016 from HK$11,348,000 for the year ended 31 December 2015.

The revenue of outdoor media business for the year ended 31 December 2016 increased by 6.8% to approximately HK$610,295,000 (year ended 31 December 2015: HK$571,521,000). The segmental profit of outdoor media business for the year ended 31 December 2016 increased by 5.5% to approximately HK$67,283,000 (year ended 31 December 2015: HK$63,806,000).

The segmental loss for real estate for the year ended 31 December 2016 was approximately HK$47,251,000 (year ended 31 December 2015: segmental profit of HK$1,106,000), which mainly comprises of depreciation and interest expenses. The segmental result for real estate had turned a profit into loss primarily due to a decrease of fair value gain for the investment properties to approximately HK$21,127,000 (year ended 31 December 2015: HK$98,939,000), recognized during the year.

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

Dividends

The Board recommended the payment of a final dividend of 1 Hong Kong cent per Share (final dividend for 2015: 1 Hong Kong cent), totaling approximately HK$50,010,000, equivalent to approximately 21.7% of profit attributable to owners of the Company, to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2017, Thursday. Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company ("AGM"), the final dividend will be payable on or around 30 June 2017, Friday.

Annual General Meeting

The AGM will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 6 June 2017, Tuesday at 3:00 p.m.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Capital Injection to 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co, Ltd.) ("LLT")

On 20 May 2016, Beijing Huibo Advertisement Media Limited Company (北京滙播廣告傳媒有限公司) ("Huibo"), an indirect wholly-owned subsidiary of the Company, Mr. He Xin, Mr. Zhang Zhen and LLT entered into an investment agreement, pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK$45,606,842) to subscribe for an additional of approximately 1.25% equity interest in LLT as enlarged by the capital increase (i.e. the aforesaid capital injection together with the capital injection by China United SME Guarantee Corporation (中合中小企業融資擔保股份有限公司), Shanghai Chenggao Investment Partnership Enterprises (上海呈高投資合夥企業), Yinchuan Fenghuang Zhifu Equity Investment Fund Partnership Enterprise (銀川鳳凰志賦股權投資基金合夥企業), Jiujiang Huarong Dingtai Investment Centre (九江華融鼎泰投資中心) and Jiaxing Ruifu Investment Partnership Enterprise (嘉興瑞福投資合夥企業) (collectively referred to as "Other Investors") in an aggregate amount of RMB203,136,000 (including approximately RMB652,456 as contribution to the registered capital and approximately RMB202,483,544 as payment for the premium).

The Other Investors had also entered into various investment agreements with Mr. He Xin, Mr. Zhang Zhen and LLT, respectively, to subscribe for an aggregate of approximately 4.88% equity interest in LLT as enlarged by the aforesaid capital increase for the capital contribution in the aggregate amount of RMB165,000,000 (equivalent to approximately HK$197,323,500).

Upon completion of the aforesaid capital increase, the Company indirectly held an aggregate of approximately 10.63% equity interest in LLT (through Huibo as to approximately 5.94% as enlarged by the aforesaid capital increase, and through Beijing Tianying as to approximately 4.69% as diluted by the aforesaid capital increase).

In addition to the aforesaid capital injection, Huibo was granted (i) a call option, pursuant to which in the event that LLT cannot achieve any of the required transaction amount or revenue for the year ending 31 December 2016 or 2017, it shall be entitled to request Mr. He Xin and Mr. Zhang Zhen to transfer to Huibo part of their equity interest in LLT at the consideration of RMB1.00 for each actual amount of registered capital to be contributed without any premium; and (ii) a put option, pursuant to which in the event that LLT fails to list, or decides not to list, on a recognized stock exchange in or outside the PRC before 31 December 2020, Huibo shall be entitled to request LLT to repurchase those equity interest held by Huibo (save and except the initial equity interest of approximately 4.69%) at certain specified consideration on or before31 January 2021.

As Mr. He Xin, the controlling shareholder of LLT, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and Chief Executive Officer of the Company, both Mr. He Xin and LLT are connected persons of the Company under the Listing Rules and accordingly the aforesaid transactions constituted connected transactions for the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 20 May 2016.

Subsequent to the completion of the aforesaid capital increase, considering the Group has the ability to exercise significant influence in LLT, the investment has been accounted for as an associate of the Group according to applicable accounting standards. The total investment costs in LLT have been separated into "investments in associates" and "derivative financial assets" for the call and put options.

Deemed Disposal of 上海鳳凰衛視領客文化發展有限公司 (Shanghai Phoenix Link Culture Development Co. Ltd.) ("Phoenix Link")

In June 2016, the Group's equity interest in Phoenix Link was reduced from 61.6% to 45% as a result of a capital contribution to Phoenix Link by new shareholders.

Conversion of Loans by PNM into Particle Inc's Series D1 Preferred Shares

Phoenix New Media Limited ("PNM") has been granted with the right to convert the loans in the principal amounts of US$20,000,000 into Particle Inc.'s series D1 preferred shares. On 30 December 2016, following the exercise of the said conversion rights by PNM, PNM held approximately 43.8% of total outstanding shares of Particle Inc. comprising Series B, Series C and Series D1 preferred shares in Particle Inc. assuming all preferred shares are converted into ordinary shares and all shares reserved under the Particle Inc.'s employee share option plan are issued. For details, please refer to the Company's announcement dated 20 January 2017 and note 15 to the consolidated financial statements.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2016.

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2016 remained solid despite recurring cash flows from the businesses of the Group were weakened as a result of decrease in revenue. As at 31 December 2016, the Group had cash and current bank deposits totaling about HK$2,678,656,000 (as at 31 December 2015: HK$3,004,839,000). The aggregate outstanding borrowings of the Group were approximately HK$1,272,144,000 (as at 31 December 2015: HK$1,513,826,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of a subsidiary, secured and interest bearing bank borrowings to fund the investment in Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 52.5% as at 31 December 2016 (as at 31 December 2015: 60.2%).

Save as disclosed above, the financial position of the Group remained liquid. Most of the Group's monetary assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars ("USD") and RMB, with minimal balances in Pound Sterling and New Taiwan dollars. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD and RMB. The Group manages its foreign exchange risks by performing regular reviews and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks. However, taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

Charge on Assets

As at 31 December 2016, the land in Chaoyang Park, Beijing, together with the building, with carrying value of approximately HK$102,000,000, HK$425,000,000 and HK$1,452,000,000 (as at 31 December 2015: HK$112,000,000, HK$487,000,000 and HK$1,534,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the investment in Phoenix International Media Centre in Beijing. Bank deposit of approximately HK$807,162,000 (as at 31 December 2015: HK$655,192,000) was pledged with banks to secure bank borrowings to optimize return through interest difference and arrangement of external security within the loan. The property in the United States with carrying value of approximately HK$2,774,000 (as at 31 December 2015: HK$2,810,000) was pledged with a bank to secure a bank borrowing. Deposits of approximately HK$322,000 were pledged with banks to secure banking guarantees given to the landlord of a subsidiary (as at 31 December 2015: HK$1,505,000).

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2016 and 31 December 2015.

Capital Structure and Share Options

As at 31 December 2016, the authorized share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.10 each, of which 5,000,999,500 Shares (as at 31 December 2015: 5,000,993,500 Shares) had been issued and fully paid.

6,000 new Shares were issued during the year as a result of the exercise of 6,000 share options of the Company under the Company's post-IPO share option scheme adopted on 7 June 2000.

As at 31 December 2016, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of subsidiaries and banking facilities.

Staff

As at 31 December 2016, the Group employed 2,872 full-time staff (as at 31 December 2015: 3,033) at market remuneration supplemented 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 2016 increased to approximately HK$1,185,144,000 (year ended 31 December 2015: HK$1,254,732,000).

Significant Investments Held

As at 31 December 2016, the Group invested in listed security investments with estimated fair market value of approximately HK$19,003,000 (as at 31 December 2015: HK$18,896,000) recognized as "financial assets at fair value through profit and loss" and unlisted preferred shares of Particle Inc. recognized as "available-for-sale financial assets" and "derivative financial instruments" with estimated fair market value of approximately HK$605,849,000 (as at 31 December 2015: HK$390,200,000) and HK$440,261,000 (as at 31 December 2015: HK$216,742,000) respectively. Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2016.

Future Plans for Material Investments and Expected Source of Funding

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

Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provision have been made in the consolidated financial statements.

Purchase, Sale or Redemption of Securities

During the year, the Company has bought back 4,052,000 Shares on the Stock Exchange for a total consideration of HK$5,042,280. The buy-backs were made for the benefit of the Company and its Shareholders as a whole by enhancing the earnings per Share.

Details of the share buy-backs are disclosed as follows:

Date	No. of Shares	Total Consideration	Price per Share Highest	Price per Share Lowest
		HK$	HK$	HK$
December 2016				
19	1,500,000	1,876,260	1.27	1.23
20	1,000,000	1,239,960	1.24	1.23
21	1,000,000	1,236,260	1.24	1.23
22	352,000	431,100	1.23	1.21
30	200,000	258,700	1.30	1.28
	4,052,000	5,042,280		

The above 4,052,000 Shares repurchased had not been cancelled during the year.

Subsequent to the year under review, the Company had further bought back 3,478,000 Shares. All of the 7,530,000 Shares repurchased during the year and up to the date of this report were cancelled on 2 March 2017.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year.

Other Important Events and Subsequent Events

Application for a Domestic Free Television Programme Service Licence in Hong Kong

On 6 May 2016, Phoenix Hong Kong Television Limited ("Phoenix HK"), which is currently an indirect wholly-owned subsidiary of the Company, has submitted an application (the "Application") for a domestic free television programme service licence in Hong Kong with digital terrestrial transmission to the Communications Authority. If the Application is approved, Phoenix HK will carry out a corporate restructuring in compliance with relevant laws and regulations. The Application is now being processed by the Communications Authority.

Discloseable Transaction Regarding the Provision of New Loan to Particle Inc.

On 20 January 2017, PNM entered into a loan agreement with Particle Inc., pursuant to which PNM agreed to grant to Particle Inc. a loan in the principal amount of RMB74,000,000, bearing interest at a rate of 9% per annum for a period of one year (the "New Loan").

On 28 January 2016, 5 April 2016, 10 August 2016 and 2 November 2016, PNM granted the loans in the principal amounts of US$10,000,000, US$10,000,000, US$14,800,000 and RMB46,000,000, respectively, to Particle Inc. (the "Loans"). The New Loan, when aggregated with the Loans which were granted within a 12-month period before the New Loan, resulted in certain applicable percentage ratios exceeding 5% but all applicable percentage ratios being less than 25%, therefore constituted a discloseable transaction of the Company.

For details, please refer to the Company's announcement dated 20 January 2017.

Continuing Connected Transactions with China Mobile Group Guizhou Co., Ltd. and its subsidiaries ("the CMGG Group")

On 25 January 2017, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, "Phoenix Metropolis"), a subsidiary of the Company, entered into an advertising contract with 中國移動通信集團貴州有限公司 (China Mobile Group Guizhou Co., Ltd.) for a period commencing from 25 January 2017 and ending on 31 March 2017 for promoting the businesses of the CMGG Group at a maximum contract sum not exceeding RMB2,120,000 (equivalent to approximately HK$2,374,824) (the "CMGG Transaction"). The CMGG Transaction, when aggregated with previous advertising transactions between Phoenix Metropolis and the group companies of 中國移動通信集團公司 (China Mobile Communications Corporation) within a 12-month period before the CMGG Transaction, constituted continuing connected transactions subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 25 January 2017.

Proposed Spin-off and Separate Listing of Phoenix Metropolis

As announced by the Company on 17 March 2017, the Board is considering the feasibility of a proposed spin-off and separate listing of Phoenix Metropolis, a subsidiary of the Company engaged in the outdoor media business in the PRC, on the Shenzhen Stock Exchange (the "Proposed Spin-off"). The Proposed Spin-Off is still at a preliminary stage. No application has been submitted to any PRC regulatory authorities nor to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules in relation to the Proposed Spin-off. No final decision has been made by the Board as to whether and when the Proposed Spin-off will proceed.

Continuing Connected Transactions with MIGU Cultural and Technology Co., Ltd. and its subsidiaries (the "MIGU Group")

On 21 March 2017, Phoenix Metropolis entered into an advertising contract with 咪咕文化科技有限公司 (MIGU Cultural and Technology Co., Ltd.) for the period of one year commencing from 21 March 2017 for promoting the businesses of the MIGU Group at a maximum contract sum not exceeding RMB3,800,000 (equivalent to approximately HK$4,306,540) (the "MIGU Transaction"). The MIGU Transaction, when aggregated with previous advertising transactions between Phoenix Metropolis and the group companies of 中國移動通信集團公司 (China Mobile Communications Corporation) within a 12-month period before the MIGU Transaction, constitute continuing connected transactions subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 21 March 2017.

Directors and Senior Management Profile

Executive Directors

Mr. LIU Changle, aged 65, is the Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited since 2 February 2000. He founded Phoenix TV in 1996. Phoenix TV now operating six satellite TV channels, is a globally renowned trans-national multimedia group and a listed company on the Stock Exchange. Phoenix 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, the "2001–2010 Outstanding Contributor to the Chinese Media" by the China Media Annual Meeting, the "Business Person of the Year Award" by the DHL/SCMP Hong Kong Business Awards 2012 and the "Outstanding Contribution to Asian Television Award" by the Asian Television Awards 2015.

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 China universities and a PhD supervisor of the Communication University of China. 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. In June 2015, Mr. LIU was appointed as honorary academician of United International College founded by Beijing Normal University and Hong Kong Baptist University.

Mr. LIU was also appointed as honorary chairman of "World Chinese-language Media Co-operation Alliance", honorable director of the Buddhist Association of China and Deputy President of BLIA World Headquarters Board of Directors.

Mr. LIU has been appointed a Justice of the Peace by the government of the Hong Kong Special Administrative Region since 2004. In July 2010, Mr. LIU was awarded the Silver Bauhinia Star by the government of Hong Kong Special Administrative Region. In July 2016, Mr. LIU was awarded the Gold Bauhinia Star by the government of Hong Kong Special Administrative Region.

Since 2011, Mr. LIU was appointed as an independent non-executive director of China Southern Airlines Company Limited.

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

Mr. CHUI Keung, aged 65, has been appointed as the executive Director and deputy chief executive officer of the Company since 5 June 2000. He is also a member of the nomination committee and risk management 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 HK on 31 March 1996, he has been in charge of the overall daily operations, the public relations and promotion strategies of Phoenix HK, 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 HK, 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 68, has been appointed as executive Director since 29 September 2006. Mr. WANG joined Phoenix HK in March 1996 and 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 59, has been appointed as non-executive Director since 19 August 2010, and is 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 and its American depositary shares are listed on the New York Stock Exchange. Mr. SHA is principally in charge of marketing, data business and corporate customer management matters of China Mobile. Mr. SHA has been serving on the board of directors of China Mobile since March 2006 and is a vice president of China Mobile Communications Corporation, a director of China Mobile Communication Co., Ltd and a non-executive director of Shanghai Pudong Development Bank Co., Ltd. Mr. SHA previously served as director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, president of Beijing Telecommunications Planning Design Institute, deputy director general of Beijing Telecommunications Administration, vice president of Beijing Mobile Communications Company, director and vice president, chairman and president of China Mobile Group Beijing Company Limited. Mr. SHA graduated from Beijing University of Posts and Telecommunications, received a Master's Degree from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications and a doctoral degree in business administration from The Hong Kong Polytechnic University. He is a professor-level senior engineer with over 34 years of experience in the telecommunications industry.

Mr. XIA Bing, aged 43, has been appointed as a non-executive Director and member of remuneration committee of the Company since 20 August 2016, and is currently the general manager of marketing department of China Mobile Communications Corporation and a director and member of the finance committee of True Corporation Public Company Limited, the securities of which is listed on The Stock Exchange of Thailand. Mr. XIA previously served as deputy general manager and general manager of China Mobile Group Qinghai Co., Ltd, and as general manager of marketing department of China Mobile Group Jiangxi Co., Ltd.

Mr. XIA graduated from Beijing University of Posts and Telecommunications with double bachelor degree of Communication Management Engineering and Telecommunication Engineering, and received a MBA and a doctoral degree in Industrial Economy from Jiangxi University of Finance and Economics. Mr. XIA has more than 20 years of experience in the telecommunication industry.

Mr. GONG Jianzhong, aged 54, has been appointed as non-executive Director since 12 January 2007, and is a member of the audit committee and risk management committee of the Company, and 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 20 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.

Mr. SUN Yanjun, aged 47, has been appointed as non-executive Director since 5 November 2013, and is an independent non-executive director and a member of the audit committee and strategic steering committee of China National Building Materials Company* (中國建材股份有限公司), the securities of which are listed on the main board of the Stock Exchange. He is also a partner and managing director at TPG. Prior to joining TPG, Mr. SUN was a managing director in the Principal Investment Area (PIA) of Goldman Sachs Group, Inc. ("Goldman Sachs") and focused on private equity investment in the Greater China region from 2006 to early 2011. Before joining Goldman Sachs, Mr. SUN was a vice president at Morgan Stanley in Hong Kong from 2004 to 2006. Prior to that, he worked for General Electric and Citigroup Inc. in the United States. Mr. SUN currently serves as a non-executive director on the board of Xinyuan Real Estate Co., Ltd., a company listed on the New York Stock Exchange.

Mr. SUN obtained a Bachelor of Economics degree from Renmin University of China and a Master of Business Administration with high distinction from the University of Michigan.

* *For identification only*

Independent Non-executive Directors

Mr. LEUNG Hok Lim, aged 82, has been appointed as independent non-executive Director since 21 January 2005, and is also a member of audit, nomination, remuneration and risk management 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 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. LEUNG was previously a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited until January 2017.

Mr. Thaddeus Thomas BECZAK, aged 66, has been appointed as an independent non-executive Director and a member of the audit committee of the Company since 11 March 2005. He is also a member of the nomination, remuneration and risk management committees of the Company. Mr. BECZAK is currently an independent non-executive director of Singapore Exchange Limited (also acted as member of its risk management committee and regulatory conflicts committee), Pacific Online Limited (also acted as member of its audit committee, nomination committee and remuneration committee) and China Minsheng Financial Holding Corporation Limited (also acted as member of its remuneration committee and nomination committee).

Mr. Beczak was previously the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited until June 2014. 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 period he also held various board and operating positions within the group including deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited, deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

From November 1997 until December 2002, Mr. BECZAK was chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a member of 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 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.

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. FANG Fenglei, aged 65, has been appointed as an independent non-executive Director of the Company since 13 March 2013, and is currently a non-executive and non-independent director and member of the Investment Committee of Global Logistic Properties Limited, the securities of which are listed on the Mainboard of Singapore Exchange Securities Trading Limited. Mr. Fang is also the 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.

Mr. HE Di, aged 69, has been appointed as an independent non-executive Director of the Company since 20 August 2016. He was appointed as the chairman of the board of directors of UBS Securities Company Limited in May 2015. After joining UBS in 1997, Mr. HE acted as the vice chairman of UBS Investment Banking and the Head of CCS China. He has participated and led most of the firm's milestone transactions such as restructuring and IPOs of SOEs, including Bank of China HK, Bank of China, China Merchants Bank, China Pacific Insurance, China Merchants Securities, New China Life, China Everbright Bank, COSCO, China Communications Construction Company Ltd, China Railway Engineering Corp etc.. He also led the IPOs of private companies including Mindray, SOHO, BYD Company etc., RT-Mart, Hon Hai/Foxconn Technology Group. In addition, he led the merger and acquisition of, and financing for PCCW, China Mobile, China Telecommunication, SINOPEC and etc.

Mr. HE has also been deeply involved UBS initiatives in China, including setting up the first fully licensed joint venture Securities firm – UBS Securities, as well as the first and largest QFII quota for UBS Equity and Asset Management.

Prior to joining UBS, Mr. HE was the co-founder and president of Standard International Investment and Management Co, a leading PRC consultancy and investment firm based in Beijing since 1993. He was a research fellow and assistant director of Institute of American Studies of CASS and studied Sino-U.S. relations for more than 10 years. He was also a visiting scholar at Stanford University, University of California Berkeley and Brookings Institution. Mr. HE graduated from the People's University of China with a Bachelor of Arts in History and Law in 1982 and later a Master of Arts in International Politics from John Hopkins University. He is co-founder and Director General of Boyuan Foundation, which was established in 2008.

Alternate Director

Mr. LAU Wai Kei, Ricky, aged 47, has been appointed as an alternate Director to Mr. SUN Yanjun, a non-executive Director of the Company since 5 November 2013, and is a partner of TPG where he has over 20 years of investment experience. Mr. LAU also serves as a director of Ingham Holdings I. Pty Limited and a director of Wharf T&T Limited. Mr. LAU was a director of China Grand Automotive Service Co. Ltd. until 16 July 2015 and an alternate director of Daphne International Holdings Limited until 24 April 2015 when his resignation took effect. Before joining TPG, Mr. LAU was responsible for the corporate and project finance division of Hopewell Holdings Limited ("Hopewell"), a regional infrastructure project developer. He joined Hopewell in 1993 and spearheaded the development and financing of several power and transportation projects in China, India and Thailand. Mr. LAU obtained an Executive MBA from Kellogg-HKUST and graduated from the University of British Columbia and he is a CFA charterholder.

Senior Management

Mr. LIU Shuang, aged 47, was appointed as the chief operating officer of the Company on 18 February 2014. He is currently the chief executive officer ("CEO") of PNM, a non-wholly owned subsidiary of the Company, whose shares are listed by way of American Depository Shares on the New York Stock Exchange in the United States.

Mr. LIU has served as a director and CEO of PNM since its inception in 2007. Mr. LIU has also served the Company from 2001 to the present in various management positions, including chief operating officer, vice president and director of business development in charge of new media investment, investment, finance, investor relationships, legal affairs, public affairs and development of the finance channel. Before joining the Company, Mr. LIU worked at Simpson Thacher & Bartlett LLP, Milbank, Tweed, Hadley & McCloy LLP and Morrison & Foerster LLP from 1996 to 2001. Mr. LIU received a J.D. degree from Duke University Law School, and a Bachelor's degree from University of International Business & Economic.

Mr. LIU is a nephew of Mr. LIU Changle, being the Chairman to the Board and Chief Executive Officer of the Company.

Mr. YEUNG Ka Keung, aged 57, is the executive vice president and chief financial officer of Phoenix HK and the Company. He is also the qualified accountant, company secretary and a member of the risk management committee of the Company. Mr. YEUNG joined Phoenix in March 1996 and is 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. HE Daguang, aged 59, was appointed as the executive vice president of Phoenix HK and the Company on 10 October 2015. Mr. HE is also a member of the risk management committee of the Company. Mr. HE joined Phoenix in 2001, since then he served as the chief financial officer (mainland China) and vice president of the Company. He currently assists on the Group's departmental coordination and daily affairs, and is responsible for managing the Company's daily operation as well as finance, personnel and administration matters. Mr. HE graduated from Shaanxi Institute of Finance and Economics in 1983. Since his graduation, Mr. HE worked for China International Water & Electric Corporation as the deputy chief accountant and the managing director subsequently. During such period, Mr. HE was mainly responsible for business and financial management in respect of investment and development projects in collaboration with various international financial institutions.

* *For identification only*

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 identify and formalise best practices.

Corporate Governance Practices

The Company adopted its own code on corporate governance which combined its existing principles and practices with most of the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange – all with the objective of taking forward a corporate governance structure which builds on Phoenix's own standards and experience, while respecting the benchmarks set in the Code.

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 processes. The Board had established the risk management committee on 30 November 2015 with its written terms of reference in alignment with the code provisions as set in the revised Code which took effect for the accounting periods beginning on or after 1 January 2016 to monitor the progress on corporate governance practices, risk management and internal control systems of the Company throughout the year under review. The following summarises the corporate governance practices of the Company and explanations of deviations from the Code.

Save as disclosed below, the Company has, throughout the year ended 31 December 2016, complied with the Code.

(1) Distinctive Roles of Chairman and Chief Executive Officer

Code Provision

Under code provision A.2.1, 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 has continually served as both the chairman to the Board 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") in favour of the Company which took effect on 5 December 2008 in order to manage any potential competing interest with the Group. Details of the Non-Competition Deed are set out in the announcement of the Company dated 26 November 2008.

Mr. LIU 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 therefore, there is no imminent need to change the arrangement.

(2) Appointments, Re-election and Removal

Code Provision

Under code provision A.4.1, 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 the 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 Reason

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, it was confirmed that the Directors had complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2016.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Group who may possess or have access to the inside 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's affairs.

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

Board of Directors (Continued)

Composition

On 1 August 2016, Dr. LO Ka Shui resigned as an independent non-executive Director. Following his resignation, the number of independent non-executive Directors fell below the requirement under Rule 3.10A of the Listing Rules which requires the Company to appoint independent non-executive directors representing at least one-third of the Board. Following the appointment of Mr. HE Di as an independent non-executive Director on 20 August 2016, the Company has re-complied with the requirement under Rule 3.10A of the Listing Rules where the number of independent non-executive Directors represented more than one-third of the Board.

As at 31 December 2016 and as at the date of this report, the Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors.

At all times during the year ended 31 December 2016, the Company had complied with Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of at least three independent non-executive directors and having at least one independent non-executive director with appropriate professional qualifications or accounting or relating financial management expertise.

The brief biographical details of each of the Directors and senior management are set out on pages 38 to 43 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 pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

Board meetings and general meetings

The Board meets at least four times a year to review the financial and operating performance of the Group. The Company held four Board meetings ("BMs"), one AGM and one extraordinary general meeting ("EGM") in the financial year ended 31 December 2016.

Board of Directors (Continued)

Board meetings and general meetings (Continued)

Details of individual Director's attendance at the BMs, the AGM and the EGM are as follows:

Name of Directors	Attended or eligible to attend BMs	AGM	EGM
Executive Directors			
Mr. LIU Changle (Chairman and CEO)	3/4	0/1	0/1
Mr. CHUI Keung (Deputy CEO)	4/4	1/1	1/1
Mr. WANG Ji Yan	4/4	0/1	0/1
Non-executive Directors			
Mr. SHA Yuejia	2/4	0/1	0/1
Mr. GAO Nianshu (resigned on 19 August 2016)	1/3	0/1	–
Mr. GONG Jianzhong	4/4	0/1	0/1
Mr. SUN Yanjun	3/4	1/1	1/1
Mr. XIA Bing (appointed on 20 August 2016)	1/1	–	0/1
Independent non-executive Directors			
Dr. LO Ka Shui (resigned on 1 August 2016)	2/2	1/1	–
Mr. LEUNG Hok Lim	3/4	1/1	1/1
Mr. Thaddeus Thomas BECZAK	4/4	1/1	1/1
Mr. FANG Fenglei	4/4	0/1	1/1
Mr. HE Di (appointed on 20 August 2016)	1/1	–	0/1
Alternate Director			
Mr. LAU Wai Kei, Ricky (alternate to Mr. SUN Yanjun)	–	–	–

Remarks (also applicable to the tables set out below):
– = not applicable

During the regular Board meetings held on 17 March 2016, 17 May 2016, 19 August 2016 and 17 November 2016, 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.

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. During the year under review, the Company collaborated with The Hong Kong Institute of Directors to provide an in-house training for Directors on the topic of "Environmental, Social and Governance Issues and Corporate Sustainability for Directors".

董事 H K I o D
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Director CPD

In addition, reference materials on changes to the relevant laws and Listing Rules were from time to time provided to Directors. At the end of each financial year, each Director is required to provide the Company his training records for the year under review. As at the date of this report, all Directors have submitted their training records to the Company.

During the year under review, the Directors had participated in the following continuous professional development to develop and refresh their knowledge and skills:

Name of Directors	Attended trainings conducted by professional parties	Reading materials relevant to the Company's business or director's duties and responsibilities	Attended in-house seminar conducted by the Company
Executive Directors			
Mr. LIU Changle (Chairman and CEO)	–	√	√
Mr. CHUI Keung (Deputy CEO)	–	√	√
Mr. WANG Ji Yan	–	√	√
Non-executive Directors			
Mr. SHA Yuejia	–	√	√
Mr. GAO Nianshu (resigned on 19 August 2016)	–	–	–
Mr. GONG Jianzhong	–	√	√
Mr. SUN Yanjun	–	√	√
Mr. XIA Bing (appointed on 20 August 2016)	–	√	√
Independent non-executive Directors			
Dr. LO Ka Shui (resigned on 1 August 2016)	–	–	–
Mr. LEUNG Hok Lim	√	√	–
Mr. Thaddeus Thomas BECZAK	√	√	–
Mr. FANG Fenglei	–	√	√
Mr. HE Di (appointed on 20 August 2016)	–	√	√
Alternate Director			
Mr. LAU Wai Kei, Ricky	–	√	–

Remarks
√ = attend

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;

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report;

(f) to review the effectiveness of the risk management and internal control systems; and

(g) to prepare the Company's accounts and consolidated financial statements.

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

It should be noted that the Company's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 1 September 2013 which aims to set out the approach to achieve board diversity on the Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background or professional experience. The Company will also take into account of factors based on its own business model and specific needs from time to time.

In addition, Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background or professional experience. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to the Board.

The nomination committee of the Company (the "Nomination Committee") was delegated with the responsibility to review at least annually on the Board's composition under diversified perspectives and monitor the implementation of this policy. Please also refer to the section titled "Nomination Committee" in this Corporate Governance Report.

Board Committees

Audit Committee

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

The primary duties of the Audit Committee are to review the Company's annual report and accounts and half-year report and to provide advices and comments thereon to the Board. The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and to discuss auditing, risk management and internal control and financial reporting matters. The terms of reference of the Audit Committee was published on both the websites of the Company and the Stock Exchange.

As at the date of this report, the Audit Committee comprised of one non-executive Director, namely Mr. GONG Jianzhong and two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

During the year under review, the Audit Committee had held two meetings on 10 March 2016 and 16 August 2016, respectively. Details of the attendance record of the Audit Committee meetings are as follows:

Name of Directors	**Attended/Eligible to attend**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. GONG Jianzhong	2/2

The Audit Committee reviewed the Group's interim and annual results in year 2016 with management and the Company's external auditor and recommended their adoption to the Board. They had also discussed key risk and internal control and risk management matters, reviewed the audit plans, internal control performance as well as effectiveness of the internal control system.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") with written terms of reference in alignment with the code provisions set out in the Code.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and members of senior management of the Company with reference to salaries paid by comparable companies, the Board's corporate goals and objectives, time commitment and responsibilities of each Director.

Board Committees (Continued)

Remuneration Committee (Continued)

On 20 August 2016, Mr. XIA Bing, a non-executive Director of the Company, was appointed as a member of the Remuneration Committee in place of Mr. GAO Nianshu.

As at the date of this report, the Remuneration Committee comprised of one non-executive Director, namely Mr. XIA Bing and two independent non-executive Directors, namely Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

During the year under review, the Remuneration Committee held two meetings on 17 March 2016 and 19 August 2016, respectively. Details of the attendance record of the Remuneration Committee meetings are as follows:

Name of Directors	**Attended/Eligible to attend**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK	2/2
Dr. LO Ka Shui (resigned on 1 August 2016)	0/1
Mr. LEUNG Hok Lim	2/2
Non-executive Directors	
Mr. GAO Nianshu (resigned on 19 August 2016)	1/1
Mr. XIA Bing (appointed on 20 August 2016)	–

During the year under review, the Remuneration Committee had recommended the fixing of the director's fees for Mr. HE Di for his position as independent non-executive Director to the Board for approval. In addition, the Remuneration Committee had noted that Mr. XIA Bing would not receive any emoluments for his position as non-executive Director and had reviewed and recommended to the Board bonus payments for year 2016 and the increment in salary for year 2017 of the Company.

The terms of reference of the Remuneration Committee include the adoption of a model where Remuneration Committee will play an advisory role whilst the Board retains full authority on all issues proposed. The terms of reference of the Remuneration Committee was published on the websites of both the Company and the Stock Exchange.

During the year ended 31 December 2016, the remuneration of the members of the senior management of the Company by band is set out in note 8 to the consolidated financial statements.

Further particulars regarding the directors' emoluments as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 45 to the consolidated financial statements.

Board Committees (Continued)

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") with its written terms of reference in alignment with the code provisions as set in the Code.

The primary functions of the Nomination Committee are to review the structure, size and diversity of the Board annually, to access the independence of independent non-executive Directors, to review the proposed appointment of new director(s) and to make recommendations to the Board when necessary. The terms of reference of the Nomination Committee was published on the websites of both the Company and the Stock Exchange.

As at the date of this report, the Nomination Committee comprised of one executive Director namely Mr. CHUI Keung and two independent non-executive Directors namely, Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

During the year under review, the Nomination Committee held two meetings on 17 March 2016 and 19 August 2016, respectively. Details of the attendance record of the Nomination Committee meetings are as follows:

Name of Directors	**Attended/Eligible to attend**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
Executive Director	
Mr. CHUI Keung	2/2

The Nomination Committee had reviewed the structure, size, composition and diversity of the Board, in accordance with the Board Diversity Policy, which considered a number of factors including age, cultural, education background and professional expertise, and found that for the year under review, the Board's composition was adequately diversified.

The Nomination Committee had also reviewed the independence of independent non-executive Directors and considered and determined the reasons for the independence if serving more than nine years, recommended to the Board the retiring Directors standing for re-election at the forthcoming AGM. The Nomination Committee also recommended to the Board for approval the appointments of Mr. HE Di as independent non-executive Director and Mr. XIA Bing as non-executive Director and member of Remuneration Committee.

Board Committees (Continued)

Risk Management Committee

The Company established the risk management committee (the "Risk Management Committee") with its written terms of reference in alignment with the code provisions as set in the Code, which requires the Board to review the effectiveness of the risk management and internal control systems after 1 January 2016.

The primary functions of the Risk Management Committee are:

(a) to review the Company's risk management policies and guidelines and monitor the implementation and development of the risk management system of the Company;

(b) to conduct assessment of the strategic, financial, operational, compliance and other risks of the Company;

(c) to make recommendation to the Board for the determination of acceptable levels of risk for the Company regarding major decisions;

(d) to consider and adjust the Company's risk management strategies in accordance with the acceptable level of risk considered and approved by the Board;

(e) to review at least once per annum the effectiveness of the risk management internal control systems of the Company, and to consider, in particular, the following matters in the annual review under the risk management system:

    (i) the changes, since the last annual review, in the nature and the extent of significant risks and the Company's ability to respond to changes in its business and external environment;

    (ii) the scope and quality of the management's ongoing monitoring of the risks and the internal control system, and where applicable, the work of its internal audit function and other assurance providers;

    (iii) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables the Risk Management Committee to assess control of the Company and the effectiveness of risk management;

    (iv) significant control failures or weakness that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition; and

    (v) the effectiveness of the Company's procedures on financial reporting and the compliance of the Listing Rules.

(f) to review the effectiveness of the Company's risk management and internal control systems should cover all material controls, including financial, operational and compliance controls.

As at the date of this report, the Risk Management Committee comprised of one executive Director, namely Mr. CHUI Keung (Chairman), one non-executive Director, namely Mr. GONG Jianzhong, two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK and Mr. LEUNG Hok Lim, two executive vice presidents, namely Mr. YEUNG Ka Keung and Mr. HE Daguang and one vice president of the Group, namely Mr. SHI Ningning.

Board Committees (Continued)

Risk Management Committee (Continued)

During the year under review, the Risk Management Committee held one meeting on 10 March 2016. Details of the attendance record of the Risk Management Committee meetings are as follows:

Name of Directors/Senior Management	Attended/Eligible to attend
Executive Director	
Mr. CHUI Keung (Chairman)	1/1
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK	1/1
Mr. LEUNG Hok Lim	1/1
Non-executive Director	
Mr. GONG Jianzhong	1/1
Senior Management	
Mr. YEUNG Ka Keung	1/1
Mr. HE Daguang	1/1
Mr. SHI Ningning	1/1

During the year under review, the Risk Management Committee approved the enterprise risk management policy and discussed the foreign exchange risk regarding to Renminbi on the business of the Group, the risk associated with the group's new business segment and risk management assurance matters.

Ad Hoc Committee

The Company adopted the terms of reference of the ad hoc committee to deal with ad hoc matters, which sets 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 on pages 105 to 112 of this report.

Risk Management and Internal Control

The Board is committed to maintain high standards of corporate governance and implement sound risk management and internal control system to achieve sustainable long-term growth.

Managing risk is an integral part of the Group's business strategies. The Group's risk management philosophy and approach aims to enhance shareholder value, achieve balance between risks and rewards, maximizing business opportunities while minimizing adverse outcomes at the same time.

The Board acknowledges that its overall responsibility includes to ensure the Group establishes and maintains appropriate and effective risk management and internal control systems and to review the effectiveness of the systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board evaluates and determines the Group's risk appetite in different aspects including financial, media credibility, sustainability, operational, reputational, legal, ethical, social and environmental responsibility. The Board has approved "Group Risk Management Policy" which sets forth the risk management principles, approach and procedures of the Group and the Policy is formally communicated to all executives within the Group.

The management is fully aware of their responsibility for the design, implementation and monitoring of robust risk management and internal control systems. The management grasps risks the Group is facing and endeavors to ensure the risk mitigation strategies could bring the residual risks in line with the Group's risk appetite.

The management is committed to create and maintain a risk culture in the Group and continuously manages risks in daily business and operation.

The Executive Management Meetings, chaired by the Chief Executive Officer of the Company and composed of senior management and executives from operational and supporting functions, are regularly held to discuss the major issues in the areas of strategy, business and operations, finance, regulation and compliance, and other administrative matters in which any significant emerging risks or risk changes are identified, evaluated and timely addressed. Another important meeting is the Programme Executives Meetings, chaired by the Chief Operating Officer of the Company and composed of the executives mainly from programme production and sales functions, are bi-weekly held to discuss and manage issues and risks from programme production.

On top of these two regular management meetings, management also stays alert to uncertainties arising from external economic, political, market and social changes, collects and analyzes information which may adversely impact the Group's operation.

To continuously monitor risks and performance of the Group's business units, the Company assigns members of its senior management to sit on the Board of all major subsidiaries. Also, the Group has established and implemented a standard bi-monthly reporting mechanism which strictly requests all business units of the Group, in the form of reporting package, updating the headquarters in the areas of their business and financial performance, major investments and transactions, major projects and events, material risk and control matters, etc..

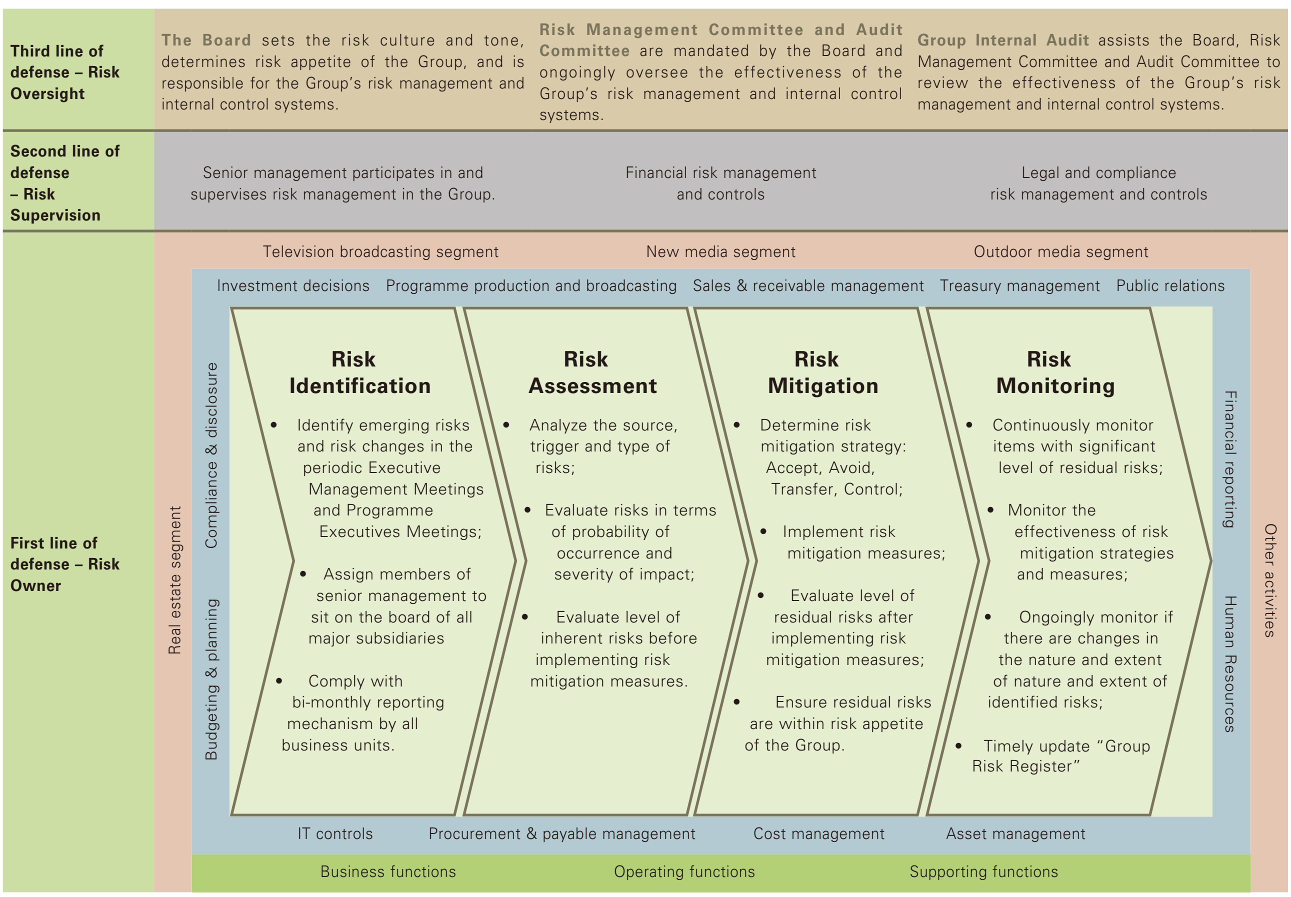
As an important line of defense set up by the management, Group Finance and Group Legal act as gatekeepers against financial, legal and compliance risks in the Group's business development and daily operation.

Risk Management and Internal Control (Continued)

As to the procedures and internal controls for the handling and dissemination of inside information, in order to mitigate the risk of leakage of inside information which will result in insider dealing and violation of the relevant statutory and regulatory requirement, the Group has implemented "Policy on Disclosure of Inside Information". The Policy provides guidelines to Directors, executives and all relevant employees of the Group to ensure inside information of the Group is properly handled and disseminated to the public in an equal and timely manner. The "Policy on Disclosure of Inside Information" includes a "spokesperson" arrangement and clearly sets out the reporting lines for employees who become aware of any non-public price-sensitive information. Besides, the headquarters Legal Department ongoingly maintains a full list of relevant employees to whom memorandum is sent, to remind them about prohibition on dealing in securities of the Company during the black-out period. The Group has also adopted "Shareholders' Communication Policy" which is approved by the Board and aims to ensure the shareholders, both individual and institutional, are provided with ready, equal and timely access to balanced and understandable information about the Company, and allow shareholders to engage actively with the Company. Both Policies are under regular review by the Board to ensure their effectiveness.

The main feature of the Group's risk management and internal control systems is its ability to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and timely manage risks by appropriate risk mitigation strategies. The source, trigger, event and consequences of risks are analyzed and documented in the "Group Risk Register". The Group has developed its own risk management framework, which is designed in reference to the internationally recognized "Enterprise Risk Management Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and "Internal Control and Risk Management Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Phoenix Group Enterprise Risk Management Framework



Risk Management and Internal Control (Continued)

The Board, through its Audit Committee and Risk Management Committee, oversees the Group's risk management and internal control systems on an ongoing basis. Both Committees report to the Board significant control failings and weaknesses identified and their impact to the Company's financial performance and condition. The primary functions and compositions of the Audit Committee and the Risk Management Committee are set out in the "Board Committees" section on page 50 and pages 53 to 54 respectively of this Report.

To assist the Board in monitoring the risk management and internal control systems, the Group has an internal audit department ("Internal Audit") in place to provide independent and objective appraisal and assurance in the areas of corporate governance, risk management and internal control for the Group.

The Internal Audit Charter and annual internal audit plans are duly approved by the Board. The Internal Audit reports functionally to Audit Committee and Risk Management Committee to preserve its independence. The Group internal auditors possess sufficient expertise and professional recognitions in the areas of risk management and internal control assurance.

The Internal Audit evaluates the adequacy and effectiveness of the Group's risk management and internal control systems with a risk-based audit approach: to determine the audit scoping covering major processes, activities and changes which are quantitatively or qualitatively significant to the Group, identify and evaluate key risks which affect the achievement of business objectives, and then review if the management has established and implemented appropriate and effective risk mitigation strategies and control procedures to address the key risks. Internal Audit provides practical and value added recommendations on the identified internal control failings or weaknesses, among which the significant control deficiencies or weaknesses or any irregularity would be timely reported to the management and the relevant Board committee for assessment and rectification.

To comply with the risk management and internal control code provisions under the Listing Rules, the Board, through the Audit Committee and the Risk Management Committee together with the assistance of the Internal Audit, has conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016, covering all major controls, including financial, operational and compliance controls and risk management functions. The Directors particularly considered the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to such changes. Besides, the Directors reviewed the scope and quality of the management's ongoing monitoring of risks and internal control systems with reference to the assurance results provided by the Internal Audit. The Directors also reviewed the extent and frequency of communication of monitoring results to the Board committees to facilitate their review of the Group's risk management and internal controls.

As a conclusion, the Board considers the Group's systems of risk management and internal control as appropriately designed and effective. Details of the major risks the Group is facing are set out on pages 69 to 70 of this report, under the section "Business Review" in "Report of Directors".

The Board, through the Audit Committee and the Risk Management Committee, also assessed in the aforementioned review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and considers they are adequate.

External Auditor

PricewaterhouseCoopers ("PwC") has been appointed as the external auditor of the Company by Shareholders at the AGM held on 6 June 2016. The remuneration in respect of services provided by PwC for the Group is analysed as follows:

	31 December 2016 HK$	31 December 2015 HK$
Audit Service	**13,512,000**	13,288,000
Non-audit Service	**550,000**	530,000
Tax Service	**1,186,000**	670,000
Total	**15,248,000**	14,488,000

Company Secretary

Mr. YEUNG Ka Keung has been appointed as the Company Secretary of the Company since 25 April 2000. Mr. YEUNG confirmed to the Company that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the 2016 financial year.

Articles of Association

The Company did not amend its articles of association ("Articles of Association") during the year under review.

Shareholders' Rights

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

Pursuant to article 58 of the Articles of Association, any one or more Shareholder(s) 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 EGM 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 Shareholder(s) to propose a person for election as a Director

Pursuant to article 88 of the Articles of Association, 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 Company's head office for a minimum period of seven (7) days. The minimum period of seven (7) days for lodgment of the aforementioned notice will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

Shareholders' Rights (Continued)

Procedures for Shareholder(s) to propose a person for election as a Director (Continued)

Accordingly, if a Shareholder wishes to propose a person other than a retiring Director for election as a director of the Company at the AGM, the following 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 despatch of the notice of the meeting.

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

Communication with Shareholders and Investors Relations

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

Shareholders are encouraged to attend the AGM and other general meetings of the Company 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 to set out the objectives of ensuring the 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 the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company. The policy will be under review from time to time 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 Shareholders, which are also available on the Company's website and the professional investor relation website on www.irasia.com/listco/hk/phoenixtv.

Shareholders may at any time send their enquiries either by post, by facsimiles or by email, together with their 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

17 March 2017

Environmental, Social and Governance Report

The Board and the management of Phoenix Satellite Television Holdings Limited firmly believe that, as an enterprise develops, in addition to its economic value, it must even more consider its value to the society. And an enterprise must fulfil its social responsibilities and uphold its standard of morality and conscience so as to stay in a strong position. This is the mission and objective of the Group concerning its corporate social responsibilities.

In terms of policy, the Group has implemented the "Corporate Social and Environmental Responsibilities Policy" which is approved by the Board. The policy sets out the tone and direction, and provides guidelines for the social and environmental protection activities of the Group, so that the Group can fulfil its responsibilities in a more effective way. The policy also helps the Group to ensure that the "Social, Environmental and Governance Report" is in compliance with the disclosure requirements under the Listing Rules.

In terms of strategy, leveraging on its own advantages as a media company, the Group produces and broadcasts television programs on public welfare and environmental protection, records online videos and sets up websites, organises charity events and provides an online platform to pool together resources from charitable organisations, media partners and caring enterprises, with the aims of promoting charity, facilitating public welfare and environmental protection projects and making contribution to the society.

To effectively manage the social and environmental risks arising from the course of business operation, the Group has included such risks in the corporate risk management system and established the corresponding system for risk management, internal control and information collection. A function specializing in corporate social responsibility has also been set up to assist the Board and the management in the identification, assessment, prioritisation, effective control and on-going monitor of various social and environmental risks.

This report is the fifth corporate social responsibility report published by the Group since 2012. The Group adopts balanced, objective, consistent, prioritised and quantifiable reporting standards when making disclosures on the Group's major challenges and achievements in public welfare participations, employment relationship and environmental protection. This report documents the Group's performance in undertaking corporate social responsibilities in 2016, and represents an opportunity for the Group to communicate with its Shareholders concerning its philosophy, practices and achievements on corporate social responsibilities.

Social

Community, Charity and Sustainable Development

In the areas of community involvement and charity, the Group's policy is to promote charity out of corporate social responsibilities by capitalising on its advantages as a media company to produce and broadcast objective, impartial and credible television programmes and news reports on public welfare and social phenomena. The Group also makes active efforts to understand and cater to the needs of the community and organizes a variety of charity events that aim at alleviating poverty, helping children in China and raising concerns about social phenomena.

Phoenix entered into a five-year "Strategic Partnership for Culture of Peace Programme" agreement with the United Nations Educational, Scientific and Cultural Organization (the "UNESCO") on 9 December 2012. Under the framework of this agreement, Phoenix shall donate USD1 million to the UNESCO within five years for cooperation on the Culture of Peace Programme. During this period of cooperation, Phoenix shall work with the UNESCO extensively in areas including sustainable development of humanity and culture, cultural heritage protection in chaotic countries, poverty elimination, global children education as well as ecological environmental protection with an aim of fulfilling social responsibilities worldwide. In 2016, Phoenix made the fifth-year donation of USD200,000 (approximately HK$1.55 million) to the "UNESCO – Phoenix Strategic Fund" set up by the UNESCO.

In November 2016, Phoenix entered into a three-year media strategic partnership agreement with the United Nations Development Programme (the "UNDP") to cooperate on the overseas sustainable development of Chinese enterprises, where the successful experience and lessons from the globalisation of Chinese enterprises will be promoted to developing countries, benefiting the South-South Cooperation (i.e. the cooperation between developing countries in the southern hemisphere and the southern part of the northern hemisphere). As the exclusive media strategic partner, Phoenix will assist the UNDP to collect first-hand cases and jointly establish a database for cases of overseas sustainable development of Chinese enterprises. Selected cases will be included in the "2016 Annual Report on Overseas Sustainable Development of Chinese Enterprises" to be prepared in collaboration by Phoenix and the UNDP, and will be demonstrated in the program named "The Odyssey of Dragon" produced by Phoenix. The parties will also jointly organize the "Round Table on Overseas Sustainable Development of Chinese Enterprises" and an annual forum. Moreover, as the UNDP highly recognises the achievements of Phoenix in advocating poverty alleviation both inside and outside of China, it has selected Phoenix to be the platform to raise public awareness for sustainable development.

"Promise 2020", a program on poverty relief premiered by Phoenix in 2016, allows its audience to develop clear pictures on China's rural areas and to observe, experience and understand the causes of poverty while exploring solutions for those who are in distress.

Through its subsidiary, namely Phoenix New Media, the Group has also initiated a series of online and offline public welfare projects.

The charity channel of Phoenix (http://gongyi.ifeng.com) under the Group's official website "ifeng.com" is an online charity platform for continuous broadcast of public welfare information. It features news on major charity events, interpretation on public welfare policies in the form of salons and forums, and organisation and promotion of charity events.

In April 2016, Phoenix New Media launched a major poverty relief campaign named "War Declaration 2020" that features extensive report on poverty relief. In-depth coverage on poverty alleviating projects in five Chinese provinces and Autonomous Region, including Hotan Town in Xinjiang Uyghur Autonomous Region, Ningde City in Fujian province, Weining County in Guizhou province, Fuping County in Hebei province and Ansai County in Shaanxi province, was published on ifeng.com, with focuses on education support to Xinjiang, targeted poverty alleviation, as well as poverty relief through healthcare.

The program named "Charity Pioneer" produced by gongyi.ifeng.com in 2016 is an extensively promoted interview show with celebrities, business tycoons, industrial elites and people involved in popular events who are dedicated to the development of charity both in China and overseas. Through sharing and studying people's stories about charity as well as their reflections and practical experience, the show advocates the modern idea of charity and public welfare and pushes forward the improvement of cultural environment and professionalism of charity in China.

The Group always cares about the survival, medical and healthcare as well as education and future development of underprivileged children in China.

In April 2016, Phoenix and Phoenix New Media jointly held a major charity brand event named "ifeng.com Forever Happiness 2016 • Charity Ceremony" in Xiamen, China. The event raised over RMB9.03 million in total, which will be applied to the "Girls' Protection Fund" under China Charities Aid Foundation for Children, Chunhui Bo'Ai Children's Foundation and the China Foundation of Culture and Arts for Children.

In June 2016, Phoenix New Media worked with the China Charities Aid Foundation for Children and set up the "China Charities Aid Foundation for Children – ifeng.com Special Charity Fund", to which Phoenix New Media spearheaded and donated RMB1 million (approximately HK$1.19 million). The special charity fund will be used for three charity projects "Benefiting the Children", "Children Protection" and "Forever Happiness", and will serve the purpose of organising charity auctions designed to boost the development of medical, healthcare and relief services in underprivileged regions and provide subsidies to orphaned and disabled children.

In September 2016, the "ifeng.com Forever Happiness 2016 • Operation Smile • Los Angeles Charity Night" was jointly organised by Phoenix New Media and "Operation Smile" (a charitable organisation), and co-organised by Phoenix North America Chinese Channel in Los Angeles, the USA. The charity night centred on raising funds for "Operation Smile" so that children with cleft lips and cleft palates in China can receive surgery and recovery treatment. This was also the first time since its inception ten years ago that "ifeng.com Forever Happiness" stepped out of China and held an international event with its charity partner in the USA to raise fund for children with cleft lips and cleft palates and to raise international awareness on children's health. The "Forever Happiness • Los Angeles Charity Night" raised USD800,000 through auctions and donations.

In October 2016, Phoenix New Media, Phoenix and Chunhui Bo'Ai Children's Foundation jointly organised the "ifeng.com Forever Happiness 2016 • Chunhui Bo'Ai Charity Night" in Shanghai, China and raised RMB5.15 million through auctions and specified donations. The proceeds will be fully used in the "Chunhui Bo'Ai Nurture Project for Orphaned and Disabled Children" jointly operated by Chunhui Bo'Ai Children's Foundation and China Charities Aid Foundation for Children to provide care and love to orphaned and disabled children. In December 2016, Phoenix New Media donated RMB189,200 (approximately HK$210,000) to Chunhui Bo'Ai Children's Foundation to subsidise its education and nurture projects for orphaned, disabled and underprivileged children.

In November 2016, "ifeng.com Forever Happiness 2016 • Charity Night" was jointly organised by Phoenix New Media and Phoenix, and co-organised by the China Social Assistance Foundation in Hangzhou, China. Through auctions, specified donations, silent auctions and subscriptions, the event raised RMB16.67 million for underprivileged children in China. The proceeds will be fully applied to the charity projects under China Social Assistance Foundation.

In October 2016, the "Girls and Sustainable Development" Seminar was held in Beijing, China, organised by All China Women's Federation, and co-organised by China Children and Teenagers' Fund, China Philanthropy Institute of Beijing Normal University and gongyi.ifeng.com. The seminar proposed the notion of "girls and sustainable development" in the areas of promoting gender equality in society, facilitating harmonious family environment, securing the education of underprivileged girls, caring for the well-being of girls and their future career development.

In June 2016, the commencement ceremony of "Activist League" was held in Beijing, China by gongyi.ifeng.com, who initiated the event to establish an interactive charity event platform for the cooperation among charitable organisations, creative industry, celebrities and caring enterprises. The platform aims at providing extra media resources and corporate support to different charitable parties. By calling for entries from all sectors of society and selecting innovative charity projects where communication through new media best applies, the platform participates in the caring of autistic children, environmental and animal protection, etc. Members of the League include China Social Welfare Foundation, China Foundation for Poverty Alleviation, China Foundation of Culture and Arts for Children, China Social Assistance Foundation, China Children and Teenagers' Fund, China Charities Aid Foundation for Children, China Women's Development Foundation, One Foundation and other major charitable organisations in China.

Since 2008, Phoenix and the National Centre for the Performing Arts have jointly-organised the yearly "Spring Festival Music Gala for Chinese around the World" to make the Chinese beautiful vision of social harmony known to the world. Each year, the ticket revenue will be donated to the "Phoenix Charity Caring Fund" managed by the China Charity Federation for organising charitable and welfare activities. In 2016, the donated ticket revenue of the concert amounted to approximately RMB240,000 (approximately HK$270,000).

Employment and Labour Practices

In terms of employment and labour practices, the Group adopts a "people-oriented" strategy where it attracts and retains talents by offering reasonable employment terms, safe and healthy work environment, a wide range of employee benefits and trainings for staff development while maintaining strict compliance with the labour practices.

Employment

As at 31 December 2016, the Group employed 2,872 full-time staff members. The Group has strictly abided by the employment and labour laws and regulations in the countries of operation. It also emphasizes on equal opportunities and workplace diversity. The Group is against discrimination and undertakes that the employment, remuneration and promotion of its employees are irrespective of their political stance, gender, age, sexual orientation, marital status, religion, race, nationality or other social factors.

The remuneration packages of the employees are determined with reference to the business results of the Group and the performance of individual employee and are in line with the market rates. The Group also provides various benefits to employees, such as medical and other types of employee insurance coverage, defined contribution pension scheme and employee share option schemes to attract and retain competent staffs. Details of the employee remuneration, recruitment, termination of employment, working hours and holidays are set out in the staff manual distributed to the employees.

Health and Safety

The Group has placed great emphasis on workplace safety so as to prevent occupational hazards. Phoenix has established a set of technical guidelines and codes on the safe operation of machineries and electronic equipment for program production. Moreover, fire suppression systems which are in compliance with the local requirements are installed in each of the office buildings of the Group. In addition to providing a safe workplace and raising safety awareness, Phoenix also maintains labour insurance and business travel insurance for its employees. Apart from the above, the Group's Hong Kong headquarters organised the "Phoenix Healthy Living Day" where it offered flu shots and free health analysis to employees so as to raise their awareness toward healthy living style and daily health maintenance. In addition, it provides comprehensive sports and recreational facilities to encourage its staffs to exercise and stay healthy.

Development and Training

The Group offers occupational training to its employees to enhance their knowledge and skills for performing job duties. Phoenix has in place a "Staff Training and Sponsorship Programme" to subsidise full-time employees who attend courses, seminars and workshops that are beneficial to their work performance or future career development.

Labour Standards

The Group forbids employment of children or forced labour such as compulsory labour or bonded labour.

Operating Practices

The Group is principally engaged in television broadcasting, new media and outdoor media business, hence corporate social responsibilities in relation to supply chain management and physical products are not relevant to its core activities. Despite this fact, the Group emphasises that it should not broadcast media contents that are detrimental to the community on its media platforms, and should firmly uphold the code of conduct of the media industry to safeguard the independence and diversity of media content, and also protect intellectual property rights.

The Group is dedicated to its social responsibilities of fighting corruption. To achieve its goal, it has established and implemented the "Phoenix Corporate Governance Code and Procedures" to help its employees to develop clear understanding on the Company's code and procedures in relation to contract execution, conflict of interests, solicitation, acceptance or offer of advantages and entertainment, dealing with confidential information and insider dealings. In addition, the Group has also set up a communication channel through which its employees may directly contact the independent internal audit department of the Group in the event of concerns about financial reporting, internal control, risk management and other matters, or in the case of employee misconduct that may harm the interest of the Group (such as offering and accepting bribes, conflict of interests, insider dealings, blackmail, fraud, money laundering, disclosure of confidential information and violation of professional ethics).

Environmental

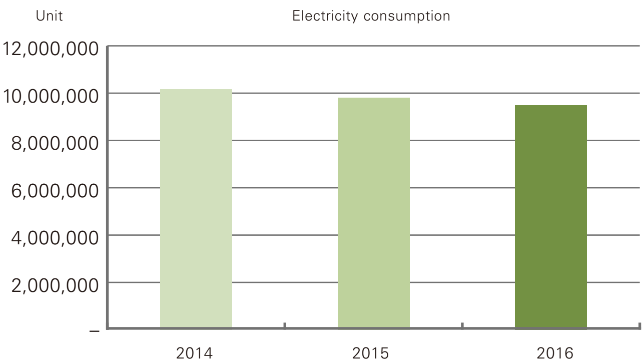
In the area of environmental protection, the management closely monitors key environmental performance indicators, which include those of waste air emission and energy consumption, so as to continuously enhance its efforts in environmental protection.

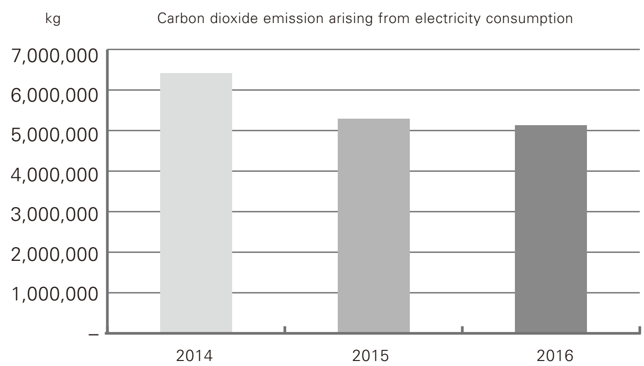
Phoenix produces and broadcasts a television programme series named "Earth Report" which focuses on natural ecology and sustainable development of society. The series consists of short episodes telling a story of Earth each day, such as ecological protection, sustainability of the agricultural industry, protection of wild animals, natural disaster and climate change studies, etc.. The series encourages people to think how different creatures should live with one another and how human race could survive on Earth sustainably.

The management emphasizes on the cultivation of environmental awareness and has implemented a series of environmental protection measures at the Phoenix Center in Hong Kong, which is the Group's headquarters. Such measures include maintaining large area of green space, reengineering of air conditioning and lighting system for higher energy efficiency, waste separation for recycling incentives, and the provision of electric vehicle charging devices in the car park to support low-carbon emission. In addition, the Group also pays close attention to the consumption of electricity, gas and water in the course of daily operation to ensure it is at a reasonable and environment-friendly level, thereby minimizing energy waste.

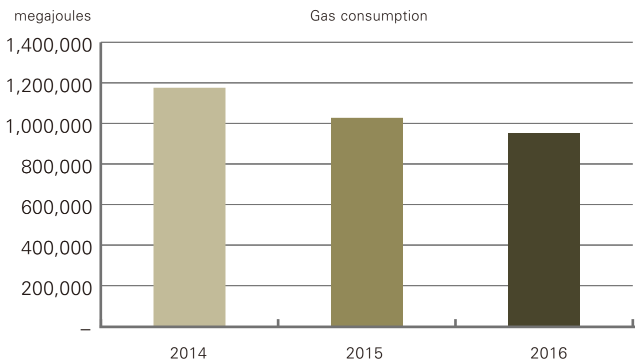
Details of energy consumption and carbon dioxide emission at Phoenix Center, the Group's headquarters in Hong Kong, are disclosed as below:

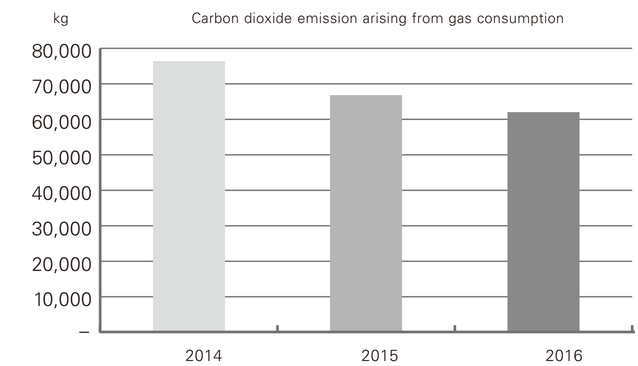
Electricity consumption and the resulting carbon dioxide emissions:



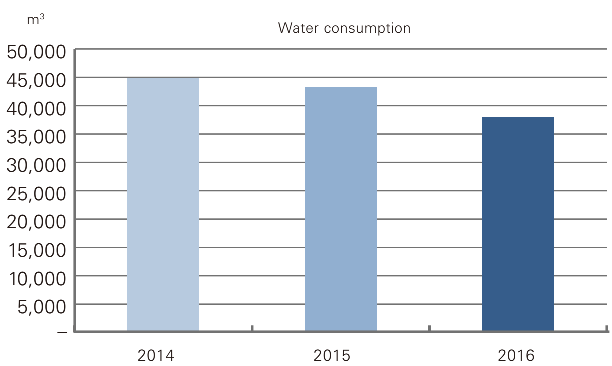


Gas consumption and the resulting carbon dioxide emission:





Water consumption:



In addition, Phoenix Metropolis Media, a subsidiary of the Group engaged in outdoor screen advertising business, has implemented the following environmental protection measures:

In order to reduce light pollution from screens, screens installed by Phoenix Metropolis Media are all equipped with an outdoor light assessment system, so screen brightness can be automatically adjusted to accommodate to the surrounding environment. Phoenix Metropolis Media also introduces new LED screens that adopt a colour depth of 16 bit, thereby producing softer colours and helping to alleviate discomfort from bright lights.

For the purpose of saving energy, Phoenix Metropolis Media uses screens with energy-saving LED light tubes which automatically adjust brightness when in use, cutting electricity consumption for normal use to approximately 40% of the designed peak consumption level, thereby saving energy. Apart from that, it uses axial fans instead of air conditioning for ventilation, which further reduces energy consumption while ensuring normal operation of screens.

In terms of recycling and reuse of dismantled screens, Phoenix Metropolis Media cleans and modifies components that are still useful and reuses them as spare parts for newly built or modified screens or for screen repairing. Screen components that cannot be reused will be dismantled and disposed of by specialised recycling companies.

Looking Ahead

Looking ahead, the Group will continue to fulfil its belief on corporate social responsibilities while pursuing higher business performance and value maximisation for Shareholders. Capitalising on its media advantages, Phoenix will strive to exert its influence as a role model in society, better undertake its obligations on public welfare and environmental protection, and create excellent media credibility through its care for humanity and sense of social responsibilities. This report was prepared in strict compliance with the disclosure requirements under Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Main Board Listing Rules of the Hong Kong Stock Exchange. Your feedback regarding this report is welcome and could be sent to csr@phoenixtv.com.

Report of Directors

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

Business Review

A review of the Group's business is set out on pages 10 to 11 of this report titled "Business Overview and Prospects" (the "Business Overview"). The Board is satisfied that the Business Overview together with the financial and non-financial information contained in this section is a fair description of the Group's business and the external environment in which the Group operates, consistent with the scope of the consolidated financial statements and dealing even-handedly with both the favourable and adverse factors. To summarise the Business Overview, the objectives, strategy and business model of the Group is to emphasise its two main areas of business, namely television broadcasting and the internet business based on ifeng.com. In the face of the continuing financial pressures generated by the decline in China's economic growth rate, the Company has sought to introduce policies that would reduce the operational expenditure and thus ensure that the Company remains profitable. This approach has led the Company to integrate a number of program production departments into a single management system that reports directly to the top channel management. This approach reduces the number of employees required by the Company and also reduces the cost of programming and broadcasting. Thus, while the Group will maintain its traditional business model, and will continue to generate new programs, it will attach a high priority to refining the Company's structure so that it can reduce the financial demands of the Group's major business activities.

The strength in the Group's brand and reputation together with quality intellectual property rights are the principal drivers of the Group's performance.

The "Comments on Segmental Information" set out on pages 31 to 32 and "Liquidity and Financial Resources" set out on page 34 of this report provided analysis of the amounts of revenue, result of business segments and gearing ratio of the Group. The operating margin of the Group, based on the profit from operations to revenue, was 4.8% as at 31 December 2016 (as at 31 December 2015: 7.5%). The current ratio of the Group, based on current assets to current liabilities, was 2.7 as at 31 December 2016 (as at 31 December 2015: 3.0). The Group's earnings before interest expenses, taxes, depreciation, and amortization (EBITDA) was HK$764,915,000 as at 31 December 2016 (as at 31 December 2015: HK$619,413,000).

The "Chinese Gateway" set out on pages 28 to 29 of this report also provided the audience satisfaction information of the television broadcasting business.

According to iResearch, in December 2016, the online daily unique visitors and monthly unique visitors of the new media business was 37.7 million and 274.1 million respectively and PNM have ranked third among all portals in China in terms of daily unique visitors. According to PNM internal data, the aggregated mobile daily unique visitors from mobile website i.ifeng.com and mobile applications reached 35.0 million in December 2016.

There are a number of principal risks and uncertainties facing the Group as follows, among other things: (i) the PRC regulatory restrictions on the reception and rebroadcasting of foreign satellite television programmes; (ii) the PRC regulatory controls on media content; and (iii) potential PRC regulatory prohibition against the variable interest entity structure in Mainland China through which PNM operates the internet business of the Group in China. Please refer to pages 101 to 103 of this report for the description of and major risks associated with the variable interest entity contractual arrangements between PNM and its subsidiaries (collectively, the "PNM Group").

Business Review (Continued)

The Group's business performance and business risks on the other hand arising from the serious economic challenges caused by the downward movement in China economy as well as the rapid growth of new media are discussed in the section of Business Overview on pages 10 to 11 of this report. Besides, the Group's day-to-day activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's financial risk management and controls are set out in Note 3 to the consolidated financial statements on pages 143 to 155 of this report. The above is not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. The risk profile may change over time as new risks and uncertainties emerge and others cease to be of concern.

The Board closely monitors the above risks and uncertainties considering that any adverse change of these risks and uncertainties would have a material negative effect on the Group's business, financial condition and results of operations. Discussion of the Group's system of risk management and internal controls is contained in the Corporate Governance Report on pages 55 to 57 of this report.

Particulars of the major suppliers and customers of the Group are set out on page 97 of this report. Whereas, key performance indicators in relation to the audience satisfaction are set out on page 29 of this report.

Details of the Group's relationship with its staff are set out on page 35 of this report.

Detailed discussions on the Group's environmental policies, performance and KPIs are contained in the Environmental, Social and Governance Report on pages 60 to 68 of this report.

In addition to the compliance with the Listing Rules and the Code, the Company is committed to duly observe the Securities and Futures Ordinance (Cap. 571) and the Codes on Takeovers and Mergers and Share Buy-backs published by Securities and Futures Commission. The Group has complied with the Broadcasting Ordinance (Cap. 562), the Broadcasting (Miscellaneous Provisions) Ordinance (Cap. 391) and the related subsidiary legislation. The Group has also observed the terms of the Non-Domestic Television Programme Service Licence granted to Phoenix HK and the relevant sections of the Codes of Practice from time to time issued by the Communication Authority. Since the enactment of the Competition Ordinance (Cap. 619), the Group was mindful not to contravene the first conduct rule of the Competition Ordinance while continuously assessing its market power under the second conduct rule of the Competition Ordinance.

Particulars of important events affecting the Group that have occurred since the end of the financial period are set out in the paragraph titled "Other Important Events and Subsequent Events" on pages 36 to 37 of this report and on Note 46 to the consolidated financial statements.

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 19 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 113.

The Board recommends the payment of a final dividend of 1 Hong Kong cent per ordinary Share, totalling approximately HK$50,010,000 to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2017, Thursday. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on or around 30 June 2017, Friday.

Closure of Register of Members

The register of members of the Company will be closed from 1 June 2017, Thursday to 6 June 2017, Tuesday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming 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 31 May 2017, Wednesday.

The register of members of the Company will also be closed from 13 June 2017, Tuesday to 15 June 2017, Thursday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the forthcoming 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 12 June 2017, Monday.

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 44 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$3,254,000 (2015: HK$1,955,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 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 15 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 2016, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$1,007,763,000 (2015: HK$1,059,369,000).

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 232.

Purchase, Sale or Redemption of Securities

During the year, the Company has bought back 4,052,000 Shares on the Stock Exchange for a total consideration of HK$5,042,280. The buy-backs were made for the benefit of the Company and its shareholders as a whole by enhancing the earnings per share of the Company.

Details of the share buy-backs are disclosed as follows:

Date	No. of Shares	Total Consideration	Price per Share Highest	Price per Share Lowest
		HK$	HK$	HK$
December 2016				
19	1,500,000	1,876,260	1.27	1.23
20	1,000,000	1,239,960	1.24	1.23
21	1,000,000	1,236,260	1.24	1.23
22	352,000	431,100	1.23	1.21
30	200,000	258,700	1.30	1.28
	4,052,000	5,042,280		

The above 4,052,000 Shares repurchased had not been cancelled during the year.

Subsequent to the year under review, the Company had further bought back 3,478,000 Shares. All of the 7,530,000 Shares repurchased during the year and up to the date of this report were cancelled on 2 March 2017.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year.

Equity-linked Agreements

Details of the share options granted in prior years and current year of the Group are set out in Note 33 of the consolidated financial statements and "Share Option Schemes" section contained in this Report of Directors.

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 adopted by the Company on 7 June 2000 (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 Group, 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 9.86% 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$1.00 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the committee established for administration of the Post-IPO Share Option Scheme and will be no less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheets from the Stock Exchange on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (c) the nominal value of the Shares.

Share Option Schemes (Continued)

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

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

The remaining life of the scheme

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

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

					Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per Share** HK$	**Balance as at 1 January 2016**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2016**
13 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	4,450,000	(500,000)	(6,000)	3,944,000

During the year ended 31 December 2016, 500,000 options granted to 1 employee were lapsed when he ceased employment with the Group.

During the year ended 31 December 2016, 6,000 options granted to employees of the Group were exercised. At the date before the options were exercised, the weighted average market price was HK$1.79.

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

During the year ended 31 December 2016, no option was granted to the Directors, chief executives 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.

The Post-IPO Share Option Scheme expired on 25 March 2017.

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme

On 19 June 2009, the Shareholders approved and adopted a share option scheme of the Company ("2009 Share Option Scheme"). The 2009 Share Option Scheme is administered by a committee of four Directors ("2009 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 Group, including any director of the Group, 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 9.91% 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 2009 Share Option Scheme exceeding 25% of the aggregate number of the Shares available for subscription under the scheme at that time.

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

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the 2009 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%

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme (Continued)

Minimum holding period

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

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1.00 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 2009 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.

The remaining life of the scheme

The 2009 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.

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

The details of share options granted by the Company under the 2009 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 2016**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2016**
2 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	250,000	–	–	–	250,000
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
454 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	81,844,000	–	(1,690,000)	–	80,154,000
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:					97,584,000	–	(1,690,000)	–	95,894,000

During the year ended 31 December 2016, 1,690,000 options granted to 24 employees were lapsed when they ceased their employment with the Group.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executives or substantial Shareholders of the Company, or their respective associates, or to the suppliers of goods or services under the 2009 Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the 2009 Share Option Scheme.

Share Option Schemes (Continued)

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

(3) Summary of 2017 Share Option Scheme

On 7 February 2017, the Shareholders approved and adopted the 2017 Share Option Scheme and the cancellation of the outstanding share options (the "Existing Options") granted to directors and employees of the Group to subscribe for a total of 95,894,000 Shares under the 2009 Share Option Scheme adopted by the Company on 19 June 2009 which have not been exercised or lapsed, subject to the Existing Options being surrendered and cancelled. The 2017 Share Option Scheme is administered by the Remuneration Committee.

Purpose of the scheme

The purpose of the scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The participants of the scheme

Any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or invested entities in which any member of the Group holds any equity interest; or any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or invested entities; or any other person (including any employee or director of any business counterparty) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme and any other share option scheme(s) of the Company is 500,099,950 Shares, representing 10.02% 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 eligible participant shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such eligible participant (including both exercised and outstanding options) in any 12-month period exceeding one (1)% of the total number of Shares in issue.

Share Option Schemes (Continued)

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

(3) Summary of 2017 Share Option Scheme (Continued)

The maximum entitlement of each participant under the scheme (Continued)

Any further grant of options to an eligible participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant under the 2017 Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over one (1)% of the Shares in issue shall be subject to the Shareholders' approval in general meeting with such eligible participant and his close associates (or his associates if the eligible participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders containing the information required under the Listing Rules. The number of Shares subject to the options to be granted and the terms of the options to be granted to such eligible participants shall be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

Time of exercise of option

An option is exercisable as set out in the offer of the option, which shall, at the discretion of the Directors, commence at any time on or after the offer date and expire no later than the tenth (10th) anniversary of such offer date.

Minimum holding period

The Share Option Scheme does not contain any such minimum period.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1.00 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price in respect of any option under the 2017 Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a Share.

Share Option Schemes (Continued)

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

(3) Summary of 2017 Share Option Scheme (Continued)

The remaining life of the scheme

2017 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.

On 21 March 2017, 91,694,000 share options to subscribe for the ordinary shares of the Company were granted under the 2017 Share Option Scheme, subject to acceptance of the grantees by agreeing to surrender and cancel their same number of existing options under the 2009 Share Option Scheme, details of which are set out below.

Type and number of grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per Share** HK$	**Number of share options granted (Subject to acceptance of the grantees)**
3 Executive Directors					
LIU Changle	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	4,900,000
CHUI Keung	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
WANG Ji Yan	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
LIU Diandian*	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	120,000
* LIU Diandian is a daughter of LIU Changle					
441 employees	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	78,874,000
Total:					91,694,000

Save as disclosed above, no share option had been granted, exercised, lapsed or cancelled since the date of adoption of 2017 Share Option Scheme to the date of this report.

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme

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

Summary of PNM Share Option Scheme

Purpose of the scheme

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

The participants of the scheme

Subject to the terms of the PNM Share Option Scheme and the Listing Rules and for so long as PNM remains a subsidiary of the Company, 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 of PNM ("PNM 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 of PNM Shares in issue on 20 June 2008, being the effective date of 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 of PNM Shares, representing 10% of Class A ordinary PNM Shares in issue on 8 June 2012.

On 5 June 2014, the EGM of the Company passed the refreshment of scheme mandate limit under the PNM Share Option Scheme. Based on 284,014,925 Class A ordinary PNM Shares in issue, the scheme mandate limit has been "refreshed" to enable grant of further options to subscribe for up to 28,401,492 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue as at the date of the EGM.

On 20 October 2016, the Shareholders approved the refreshment of the scheme mandate limit under the PNM Share Option Scheme. Based on 256,335,266 Class A ordinary PNM Shares in issue, PNM may grant further options to subscribe for up to 25,633,526 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue on 20 October 2016, being the date of the EGM at which the Company's shareholders approved the above refreshment of mandate limit and the grant of replacement options as set out in the Company's circular dated 23 September 2016 (see also "Grant of replacement options" below).

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The maximum entitlement of each participant under the scheme

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

Time of exercise of option

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

The amount payable on acceptance of the option

Pursuant to the PNM Share Options Scheme, HK$1.00 (or foreign currency equivalent) is payable to PNM by the eligible persons by 5:00 p.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 2016, 9,991,964 options were granted to eligible persons consisting of staff of wholly-owned subsidiaries of PNM, under the PNM Share Option Scheme all with an exercise price of US$0.4734 per share.

During the year ended 31 December 2016, 901,300 options granted to 13 employees were exercised at US$0.03215 per share.

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year ended 31 December 2016, 757,646 options granted to 9 employees were exercised at US$0.4459 per share.

The weighted average market price of the options exercised during the year ended 31 December 2016 was US$0.46 per share.

Grant of replacement options

At the EGM of the Company held on 20 October 2016, the Shareholders approved the proposed grant of options under the PNM Share Option Scheme to holders of existing options as replacement options beyond the refreshed limit (i.e. 10% of PNM Shares in issue as at the date of EGM on 20 October 2016). For details, please refer to the Company's circular dated 23 September 2016.

With the approvals of the board of directors and shareholders of PNM and the Company, an option exchange program was implemented from 21 October 2016 to 1 November 2016 whereby the directors, employees and consultants of PNM exchanged options to purchase 21,011,951 Class A ordinary of PNM shares granted under the PNM Share Option Scheme with various exercise prices greater than US$0.4823 per share (or US$3.8584 per ADS) for new options granted under the PNM Share Option Scheme with a new exercise price of US$0.4823 per share and a new vesting schedule that generally adds 12 months to each original vesting date, and the new options would vest no sooner than 1 May 2017.

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options

During the year ended 31 December 2016, 31,017,364 options granted to 88 employees lapsed and were 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 PNM share** (US$)	**Balance as at 1 January 2016**	**Granted during the year**	**Lapsed during the year**	**Cancelled during the year**	**Exercised during the year**	**Balance as at 31 December 2016**
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	2,789,677	–	–	–	(564,800)	2,224,877
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	–	–	–	–	6,000
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	–	–	–	–	3,375
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	–	–	–	–	16,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	–	–	–	–	4,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,000	–	–	–	–	4,000
	2008.07.04	2008.10.23-2018.05.25	0.03215	6,750	–	–	–	–	6,750
	2008.07.04	2008.12.17-2018.05.25	0.03215	6,000	–	–	–	–	6,000
	2008.07.04	2008.12.24-2018.05.25	0.03215	3,750	–	–	–	–	3,750
	2008.07.04	2009.01.15-2018.05.25	0.03215	439,504	–	–	–	–	439,504
	2008.07.04	2009.02.26-2018.05.25	0.03215	3,375	–	–	–	–	3,375
	2008.07.04	2009.03.10-2018.05.25	0.03215	11,500	–	–	–	(6,000)	5,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	–	–	–	–	2,475
	2008.07.04	2009.03.24-2018.05.25	0.03215	20,000	–	–	–	–	20,000
	2008.07.04	2009.03.31-2018.05.25	0.03215	3,000	–	–	–	–	3,000
	2008.07.04	2009.04.01-2018.05.25	0.03215	450	–	–	–	–	450
	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	2009.05.12-2018.05.25	0.03215	3,000	–	–	–	(3,000)	–
	2008.07.04	2009.05.19-2018.05.25	0.03215	10,688	–	–	–	–	10,688
	2008.07.04	2009.05.26-2018.05.25	0.03215	68,087	–	–	–	(35,000)	33,087
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	–	–	–	–	781,250
	2009.07.31	2010.02.16-2018.05.25	0.03215	100,000	–	–	–	–	100,000

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options (Continued)

				Number of share options					
Type of remaining grantees	**Date of grant**	**Exercise period**	**Exercise price per PNM share** (US$)	**Balance as at 1 January 2016**	**Granted during the year**	**Lapsed during the year**	**Cancelled during the year**	**Exercised during the year**	**Balance as at 31 December 2016**
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	–	–	–	–	5,250
	2009.07.31	2010.05.18-2018.05.25	0.03215	96,001	–	–	–	–	96,001
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	–	–	–	–	61,600
	2009.09.15	2010.09.15-2018.05.25	0.03215	798,300	–	–	–	(104,500)	693,800
	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	135,000	–	–	–	(24,000)	111,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	–	–	–	–	26,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	220,000	–	–	–	–	220,000
	2010.07.01	2011.07.01-2018.05.25	0.03215	216,000	–	–	–	(164,000)	52,000
	2013.03.15	2014.03.15-2023.03.14	0.445925	8,243,840	–	(1,631,106)	–	(757,646)	5,855,088
	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	–	–	–	–	2,900,000
	2013.10.01	2014.10.01-2023.09.30	0.78670	56,250	–	–	–	–	56,250
	2013.10.08	2014.10.08-2023.10.07	0.82490	4,832,000	–	(2,092,000)	(2,740,000)	–	–
	2013.12.10	2014.12.10-2023.12.09	1.084425	1,900,000	–	–	(1,900,000)	–	–
	2014.06.04	2015.06.04-2024.06.03	1.274900	939,807	–	(464,807)	(475,000)	–	–
	2014.06.05	2015.06.05-2024.06.04	1.274900	550,000	–	(500,000)	(50,000)	–	–
	2014.07.11	2015.07.11-2024.07.10	1.30350	12,917,500	–	(3,022,500)	(9,895,000)	–	–
	2014.10.11	2015.10.11-2024.10.10	0.824900	161,951	–	–	(161,951)	–	–
	2015.07.16	2016.07.16-2025.07.15	0.91550	7,660,000	–	(1,475,000)	(5,790,000)	–	395,000
	2016.10.17	2017.10.17-2026.10.16	0.47340	–	9,991,964	(410,000)	–	–	9,581,964
	2016.10.21	2017.05.01-2020.07.06	0.48230	–	21,011,951	(410,000)	–	–	20,601,951
Total:				46,117,530	31,003,915	(10,005,413)	(21,011,951)	(1,658,946)	44,445,135

Share Option Schemes (Continued)

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

(2) PNM March 2011 Scheme

On 15 March 2011, PNM adopted the restricted share unit ("RSU") and restricted share ("RS") scheme (the "PNM March 2011 Scheme") to grant RSU or RS to the executives, employees or directors of PNM or its affiliates.

All RS and RSU granted under the PNM March 2011 Scheme had been fully vested in 2014 and 2015 respectively, thus there are no RS and RSU movements during the year.

Save as disclosed above, no option was granted to the Directors, chief executives or substantial Shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option 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	(resigned on 19 August 2016)
GONG Jianzhong	
SUN Yanjun	
XIA Bing	(appointed on 20 August 2016)

Independent Non-executive Directors:

LO Ka Shui	(resigned on 1 August 2016)
LEUNG Hok Lim	
Thaddeus Thomas BECZAK	
FANG Fenglei	
HE Di	(appointed on 20 August 2016)

Alternate Director:

LAU Wai Kei, Ricky	(alternate director to SUN Yanjun)

In accordance with Article 87(1) & (2) of the Company's articles of association, Mr. WANG Ji Yan, Mr. SHA Yuejia and Mr. Thaddeus Thomas BECZAK shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Mr. XIA Bing and Mr. HE Di, who were appointed on 20 August 2016 as non-executive Director and independent non-executive Director respectively, will hold office until the next following general meeting of the Company and will be eligible for re-election. Thereafter, they will be subject to rotational requirements and re-election requirements at the annual general meeting in accordance with the articles of association of the Company.

Mr. Thaddeus Thomas BECZAK has served the Board as independent non-executive Director for more than nine years and his re-election will be subject to a separate resolution to be approved by the Shareholders. Mr. BECZAK has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Notwithstanding the length of his tenure, the Board is satisfied that, as well proven by the valuable independent judgment, advice and objective views given by Mr. BECZAK over the years, Mr. BECZAK is of such character, integrity and experience commensurate with the office of independent non-executive Director. The Board is not aware of any circumstance that might influence Mr. BECZAK's independence and considers the re-election of Mr. BECZAK as independent non-executive Director is in the best interest of the Company and Shareholders as a whole.

Confirmation of Independence

The Company has received from each of Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di their respective annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules as at the date of this report and the Company considers them to be independent.

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

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

LAU Wei Kei, Ricky

New appointment

Wharf T&T Limited (a subsidiary of The Wharf (Holdings) Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited) – director

LEUNG Hok Lim

Resignation

Beijing Hong Kong Exchange of Personnel Care Limited – non-executive 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 1 July 2015, Mr. LIU Changle and Mr. CHUI Keung, the executive Directors, each entered into a service contract with the Company for a term of three years commencing from 1 July 2015 subject to termination by either party giving to the other not less than three months' written notice. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of 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 CG 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' Permitted Indemnity Provision

As permitted by the Company's Articles of Association, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such indemnity do not extend to any matter in respect of any fraud or dishonesty by such Director. Such provision has been in force for the benefit of the Directors throughout the year and up to the date of this report.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover to the Directors.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2016, the interests and short positions of the Directors and chief executives 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 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, were as follows:

(1) Long position in the Shares and underlying Shares of the Company (excluding share options)

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 2016**
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.13%

Notes:

1. As at 31 December 2016, the number of the issued Shares of the Company was 5,000,999,500.

2. As at 31 December 2016, 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 37.07% of the issued share capital of the Company.

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

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

PNM

Name	Number of class A ordinary of PNM Shares Personal/ other interest	Corporate interest	Total interest	Position	Approximate shareholding percentage as at 31 December 2016
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.58%

Notes:

1. As at 31 December 2016, the number of the issued Class A ordinary PNM Shares was 256,335,266.

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

3. As at 31 December 2016, 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 0.58% of the issued class A ordinary of PNM Shares.

(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 2016
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 2016, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000 and 19 June 2009, the relevant committee responsible to administer the share option schemes 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 scheme approved by the Shareholders on 7 June 2000 has no remaining life and no further options can be granted under the scheme.

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 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 2016, 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 2016
Today's Asia Limited (Note 2)	1,854,000,000	37.07%
Extra Step Investments Limited (Note 3)	983,000,000	19.66%
TPG China Media, L.P. (Note 4)	607,000,000	12.14%

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 2016, the number of issued Shares of the Company was 5,000,999,500.

2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% 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. XIA Bing, both non-executive Directors of the Company, are respectively executive director and vice president of China Mobile Limited and general manager of the Marketing Department of CMCC.

4. TPG China Media, L.P. is controlled by TPG Asia Advisors VI DE, Inc., which in turn is ultimately controlled by Mr. David BONDERMAN and Mr. James G. COULTER. By virtue of the SFO, TPG Asia Advisors VI DE, Inc., Mr. David BONDERMAN and Mr. James G. COULTER are all deemed to be interested in the 607,000,000 Shares held by TPG China Media, L.P. Mr. SUN Yanjun and Mr. LAU Wai Kei Ricky, being the non-executive Director and alternate Director respectively, are both managing director and partner of TPG.

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 2016
China Wise International Limited (Note 2)	412,000,000	8.24%

Notes:

1. As at 31 December 2016, the number of issued Shares of the Company was 5,000,999,500.

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. 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 executives of the Company) known to the Directors or the chief executives of the Company, who, as at 31 December 2016, 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 2016	Year 2015
Programme purchases		
– the largest supplier	**17%**	20%
– five largest suppliers	**52%**	42%
Sales		
– the largest advertising end-customer	**3%**	3%
– five largest advertising end-customers	**10%**	10%

None of the Directors, the chief executives, or their close associates, or any Shareholders (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 and Continuing Connected Transactions

Certain related party transactions (as defined in HKAS 24 – Related Party Disclosures) entered into by the Group during the year ended 31 December 2016 are disclosed in Note 42 to the consolidated financial statements. Save as disclosed below, none of the related party transactions falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The following transactions between certain connected persons (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. (a) On 20 July 2015, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, formerly known as 鳳凰都市（北京）廣告傳播有限公司 (Phoenix Metropolis Media (Beijing) Company Limited)) ("Phoenix Metropolis") entered into an outdoor advertising contract ("2015 PRC Outdoor Advertising Contract") with 中國移動通信有限公司 (China Mobile Communication Company Limited) ("CMC") relating to the placing of advertisement on the outdoor LED panels operated by or licensed to Phoenix Metropolis and/or its subsidiaries in the PRC for the period from 20 July 2015 to 31 March 2016 for the maximum contract sum of RMB15,180,000 (equivalent to approximately HK$18,958,302) for promoting 中國移動通信集團公司 (China Mobile Communications Corporation) and its associates (collectively the "CMCC Group").

   (b) On 20 July 2015, Phoenix Metropolis entered into another outdoor advertising contract ("2015 CMGD Outdoor Advertising Contract") with 中國移動通信集團終端有限公司 (China Mobile Group Device Co., Ltd.) ("CMGD"), a subsidiary of CMC, relating to the purchase of advertising airtime by CMGD on the outdoor LED panels operated by or licensed to Phoenix Metropolis and/or its subsidiaries in the PRC for the period from 20 July 2015 to 31 March 2016 for a maximum contract sum of no more than RMB7,360,000 (equivalent to approximately HK$9,191,904) for promoting the customised mobile phone devices business of the CMCC Group.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(c) On 26 April 2016, Phoenix Metropolis entered into another outdoor advertising contract ("2016 CMC Outdoor Advertising Contract") with CMC relating to the placing of advertisement on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 26 April 2016 to 31 March 2017 for the maximum contract sum of RMB15,930,000 (equivalent to approximately HK$19,004,490) for promoting the CMCC Group.

(d) On 26 April 2016, Phoenix Metropolis also entered into another outdoor advertising contract ("2016 CMGD Outdoor Advertising Contract") with CMGD relating to the purchase of advertising airtime by CMGD on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 26 April 2016 to 31 March 2017 for a maximum contract sum of no more than RMB7,510,000 (equivalent to approximately HK$8,959,430) for promoting the customised mobile phone devices business of the CMCC Group.

For the year ended 31 December 2016, the advertising sales between Phoenix Metropolis and the CMCC Group amounted to approximately HK$21,048,000 (2015: HK$23,060,000).

CMHKG, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is a substantial shareholder of the Company holding approximately 19.66% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. Therefore, the CMCC Group are connected persons of the Company. The transactions under the 2015 PRC Outdoor Advertising Contract, 2015 CMGD Outdoor Advertising Contract, 2016 CMC Outdoor Advertising Contract and 2016 CMGD Outdoor Advertising Contract respectively constituted continuing connected transactions of the Company under the Listing Rules. For details, please refer to the Company's announcements dated 20 July 2015 and 26 April 2016, respectively.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

2. On 25 October 2012, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rule 14A.35(1) (as then in force) of the then Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all of the expected continuing connected transactions ("New Media CCT") in relation to provision of website portal, value-added telecommunications, promotional and ancillary services by and to PNM Group to and by CMCC Group for the three years from 1 January 2013 to 31 December 2015, subject to the conditions disclosed in the announcement published on 26 October 2012. The then independent shareholders approved and confirmed the New Media CCT and the relevant annual caps for each of the three years from 1 January 2013 to 31 December 2015 at the EGM of the Company held on 5 December 2012. The above arrangement expired at the end of 2015. The Company therefore proposed to renew the above streamlined approach to the New Media CCT, which the Stock Exchange has granted, from strict compliance with the requirement under Rule 14A.34 and Rule 14A.51 of the Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all New Media CCT for the three years from 1 January 2016 to 31 December 2018, subject to the conditions disclosed in the announcement published on 6 November 2015.

   On 4 December 2015, the independent Shareholders approved and confirmed the New Media CCT for the three years from 1 January 2016 to 31 December 2018 and the relevant annual caps of RMB260,000,000, RMB286,000,000 and RMB315,000,000 for each of the three years ending 31 December 2016, 2017 and 2018 at the EGM held on 4 December 2015.

   The aggregate service charges received/receivable by the PNM Group from the CMCC Group, and the aggregate service charges paid/payable by the PNM Group to the CMCC Group for the year ended 31 December 2016 amounted to approximately RMB91,090,000 (equivalent to approximately HK$106,821,000) and RMB23,330,000 (equivalent to approximately HK$27,360,000) respectively, whereas, for the year ended 31 December 2015, RMB161,750,000 (equivalent to approximately HK$199,842,000) and RMB46,557,000 (equivalent to approximately HK$57,521,000) respectively.

   Since the CMCC Group are connected persons of the Company, the New Media CCT constituted continuing connected transactions of the Company under the Listing Rules. For details, please refer to the Company's announcements dated 6 November 2015 and 4 December 2015, respectively and the circular dated 16 November 2015.

3. On 4 December 2015, 北京天盈九州網絡技術有限公司 (Beijing Tianying Jiuzhou Network Technology Co. Ltd., "Beijing Tianying"), a non wholly-owned subsidiary of the Company, entered into a framework agreement with 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co, Ltd.)("LLT") (the "Framework Agreement"), pursuant to which LLT agreed to place, and Beijing Tianying agreed to launch, internet advertisements provided by LLT from time to time on (i) the websites operated by Beijing Tianying, including www.ifeng.com and wap.ifeng.com and (ii) the mobile apps operated by Beijing Tianying, including but not limited to ifeng news and v.ifeng.com, etc. with annual caps of HK$17,500,000, HK$38,000,000 and HK$57,000,000 for each of the years ending 31 December 2015, 2016 and 2017.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

On 17 May 2016, Beijing Tianying and LLT entered into a supplemental Framework Agreement (the "Supplemental Framework Agreement") to revise the annual caps for the years ending 31 December 2016 and 2017 to RMB49,000,000 (equivalent to approximately HK$58,599,100) and RMB80,000,000 (equivalent to approximately HK$95,672,000).

For the year ended 31 December 2016, the aggregate transaction amount received/receivable form LLT was approximately RMB42,619,000 (equivalent to approximately HK$49,979,000).

As Mr. HE Xin, the controlling shareholder of LLT, is the son-in-law of Mr. LIU Changle, who is the Chairman of the Board and the Chief Executive Officer of the Company, LLT is therefore a connected person of the Company under the Listing Rules and accordingly the transaction under Framework Agreement and Supplemental Framework Agreement constituted a continuing connected transaction for the Company under the Listing Rules. For details, please refer to the Company's announcements dated 4 December 2015 and 17 May 2016.

4. On 28 December 2015, Phoenix TV, through its PRC advertising agent, 神州電視有限公司 ("Shenzhou Television Company Limited") ("Shenzhou") entered into an advertising contract (the "2016 Contract") with CNHK Media Limited (中港傳媒有限公司) ("CNHK Media") relating to the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2016 to 31 December 2016 for the maximum contract sum of RMB30,000,000 (equivalent to approximately HK$36,551,000) for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CNHK Media has entered into a contract with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the benefit and on behalf of the CMCC Group. As such, CNHK Media has entered into the 2016 Contract for the ultimate benefits of the CMCC Group.

   On 8 December 2016, Phoenix TV, through Shenzhou, entered into the 2017 Contract with CNHK Media relating to the purchase advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2017 to 31 December 2017 for the sum not exceeding RMB40,000,000 (equivalent to approximately HK$45,244,000) for promoting the CMCC Group.

   For the year ended 31 December 2016, the advertising sales from CNHK Media amounted to approximately RMB16,014,000 (equivalent to approximately HK$18,599,000).

   Since the CMCC Group are connected persons of the Company, the transactions under the 2016 Contract constituted continuing connected transactions for the Company under the Listing Rules. For details, please refer to the Company's announcement dated 28 December 2015.

Connected Transactions and Continuing Connected Transactions (Continued)

In accordance with Rule 14A.55 of 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 better, on an arm's length basis or 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 as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 to the Board of Directors containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 97 to 100 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Contractual Arrangements of PNM Group

Foreign investment in the internet and mobile services industries is currently prohibited or restricted in China. The internet business of the Group in China is operated by PNM through contractual arrangements with the legal shareholders of its variable interest entities, among others, Beijing Tianying. The Group does not have equity interests in Beijing Tianying or its subsidiaries. However, as a result of a series of structured contracts (the "Structured Contracts") entered into on 31 December 2009 by a subsidiary of PNM, Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), the Group has become the primary beneficiary of Beijing Tianying and its subsidiaries and account for them as its indirect subsidiaries under Hong Kong Financial Reporting Standards ("HKFRS"). As at the date of this report, Beijing Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the permitted business items of Beijing Tianying includes: internet information services (excluding information on news, publishing, education, medical health, medicine, medical devices); internet advertising via www.ifeng.com; information services of category II value-added telecommunications services (excluding fixed line telephone information services and internet information services); production and publishing of animation, television entertainment, feature; distribution of published books and journals via internet (including mobile network), publishing of internet game and mobile game; performance agency; retail of books, newspaper, journals, electronic publications and audiovisual products. Whereas the general business items of Beijing Tianying includes: technology development, technology consulting; design, production, agent, publishing of advertisement; organizing cultural exchange activities; organizing exhibitions; enterprise planning; economy and trade consulting; lease of computer and communications equipment (excluding those items without the administrative licensing).

The Group has consolidated the financial results of Beijing Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2016, Beijing Tianying and its subsidiaries accounted for 32.2% of the total revenues and 18.9% of the total assets of the Group.

Contractual Arrangements of PNM Group (Continued)

The Group has evaluated the relationship among PNM, Fenghuang On-line and Beijing Tianying in accordance with HKFRS. Pursuant to the Voting Right Entrustment agreement, PNM has obtained power, as granted to the legal shareholders by the applicable PRC law and under the articles of association of Beijing Tianying, to direct all significant activities of Beijing Tianying, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Beijing Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Beijing Tianying in the form of technical service fees, which could potentially be significant to Beijing Tianying's net income. In addition, PNM has the right to receive all the residual assets of Beijing Tianying through exercise of the Exclusive Option agreement. As a result, the Group, through PNM and Fenghuang On-line, is considered the primary beneficiary of Beijing Tianying and therefore includes Beijing Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Beijing Tianying, the Group has the power to direct the activities of Beijing Tianying, and can freely have assets transferred out of Beijing Tianying's without any restrictions.

Details of the Structured Contracts and the related information were set out in the Company's announcement dated 9 November 2009 (the "Company's Announcement").

There were no material changes to the Structured Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed.

The reasons for using the Structured Contracts were disclosed in the sub-section headed "Reasons for and benefits of the Acquisitions" under the section headed "Reasons For And Benefits Of The Transaction" of the Company's Announcement.

The major risks associated with them include, among others:

1. If the PRC government finds that the agreements that establish the structure for operating its businesses in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, the Group would be subject to severe penalties or be forced to relinquish its interests in those operations.

2. The Group relies on contractual arrangements with Beijing Tianying in China, and their legal shareholders, for its business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

3. The legal shareholders of Beijing Tianying may have potential conflicts of interest with the Group.

Contractual Arrangements of PNM Group (Continued)

For details of the above-mentioned risks during the reporting period, please refer to "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Corporate Structure" of the 2015 Annual Report of PNM disclosed on its website (ir.ifeng.com).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE law") that appears to include variable interest entities within the scope of entities that could be considered to be foreign invested enterprises that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. The Group is not aware of any progress of legislation of the Draft FIE law but will continuously closely monitor any progress.

Competing Business

During the year ended 31 December 2016 and up to the date of this report, none of the Directors 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.

Advances to an Entity

Details of the relevant advances to an entity from the Group are set out in Note 23 to the consolidated financial statements.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 44 to 59 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 total issued share capital of the Company as required under the Listing Rules.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2016 and provided advice and comments thereon.

Auditor

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

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 17 March 2017

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Phoenix Satellite Television Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 231, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Independent Auditor's Report

羅兵咸永道

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of the investments in Particle Inc. ("Particle")
- Accuracy and recoverability of the receivable from Shenzhou Television Company Limited ("Shenzhou")
- Recoverability of the accounts receivable of the Group

Independent Auditor's Report

pwc 羅兵咸永道

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of the investments in Particle *Refer to Notes 2(n), 2(p), 3(c), 4(a)(i), 27, 38 and 43 to the consolidated financial statements* Phoenix New Media Limited ("PNM"), a non-wholly owned subsidiary of the Group, owns a number of convertible redeemable preferred shares ("Preferred Shares") issued by Particle, which operates Yidianzixun, a personalised news and life-style information mobile application in The People's Republic of China ("PRC"). The Group's investments in the Preferred Shares were separated into debt component classified as available-for-sale financial assets ("AFS") and derivative component classified as derivative financial instruments ("DFI"), and carried at fair values of HK$605.8 million and HK$440.3 million respectively at 31 December 2016 based on the valuation report prepared by an independent professional valuer (the "Valuer"). Changes in the fair values of DFI during the year were recognised in the consolidated income statement of HK$183.2 million whereas changes in the fair values of AFS during the year were recognised in other comprehensive income of HK$11.7 million except for the interest on the AFS calculated using the effective interest method of HK$81.0 million, which was recognised in the consolidated income statement. The Valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle, which was then allocated to Particle's common shares and Preferred Shares using the option-pricing and binomial models. The fair value of the Preferred Shares was further allocated to the AFS and DFI using the DCF method. We focused on this area because the valuation of the investments in Particle involved significant judgements and estimation uncertainties with key assumptions for revenue growth rate, terminal growth rate, discount rate, lack of marketability discount and volatility, and the carrying values of the investments in Particle were significant, which accounted for approximately 11.3% of the total assets of the Group at 31 December 2016.	Our audit procedures in relation to the valuation of the investments in Particle included: • Understanding, evaluating and testing, on a sample basis, management's control procedures over reviewing the fair value of investments in Particle; • Evaluating the Valuer's independence, competence, capabilities and objectivity, and reading their valuation reports prepared for financial reporting purposes; • Involving our in-house valuation experts in assessing the appropriateness and consistency of the methodologies used in the valuations; • Checking the mathematical accuracy of the underlying calculations in the valuation models; • Testing, on a sample basis, the accuracy and relevance of input data used by the Valuer; • Assessing the reasonableness of revenue growth rate by comparing to the approved budgets, actual results of the prior periods and industry forecast; • Assessing the reasonableness of terminal growth rate, discount rate, lack of marketability discount and volatility by comparing those to the market data, including long-term economic growth, risk-free rates and discount rate of comparable companies in the same industry provided by our in-house valuation experts; • Considering the results of sensitivity analysis on reasonably possible downside changes in the key assumptions adopted; • Checking the calculation of interest on the debt component of the Preferred Shares recognised in the consolidated income statement using the effective interest method; and • Assessing the appropriateness of the relevant disclosures made in the Group's consolidated financial statements. Based on our work summarised above, we found the valuation methodologies were appropriate and consistently applied, and the key assumptions adopted were supportable in light of available evidence and the current market environment.

羅兵咸永道

Key Audit Matter

Accuracy and recoverability of the receivable from Shenzhou

Refer to Notes 3(a)(ii), 4(a)(ii) and 23 to the consolidated financial statements

At 31 December 2016, the Group had a receivable balance from Shenzhou, the Group's advertising agent in the PRC, of HK$248.4 million which was included in prepayments, deposits and other receivables. This amount represented the net balance from advertising revenue collected by Shenzhou, net of agency commission and service fee earned by Shenzhou and various expenses incurred and payments made by Shenzhou on behalf of the Group.

The receivable balance is unsecured and repayable on demand. Pursuant to the service agreement signed between Shenzhou and the Group dated 5 June 2015, Shenzhou agreed to deposit the advertising revenue collected on behalf of the Group in designated bank accounts in the PRC, which together with any interest generated from these accounts would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest would be charged by the Group on the receivable balance from Shenzhou. Management is of the opinion that the balance is fully recoverable and no provision is required based on their collectability assessment.

Due to the arrangements with Shenzhou described above, there is a risk that the receivable balance at 31 December 2016 may not be accurate, and the outstanding amount accounted for approximately 2.7% of the total assets of the Group. The nature and size of this balance together with the significant judgements exercised by management in their collectability assessment warrant specific audit attention.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the accuracy and recoverability of the receivable from Shenzhou included:

- Understanding and evaluating how management assessed and monitored the credit quality of Shenzhou and the recoverability of the outstanding receivable with reference to Shenzhou's financial position, payment trends and subsequent settlements;
- Agreeing opening balance of the receivable from Shenzhou to the prior year audited accounts and performing analytical procedures on the movements in the balance with Shenzhou during the year to identify if there were any unusual items;
- Agreeing the amounts of cash collected for advertising revenue by Shenzhou recorded in the Group's accounting system to the collection reports submitted by Shenzhou and sales contracts on a sample basis;
- Checking the mathematical accuracy of the calculation of commission and service fee paid to Shenzhou;
- Agreeing, on a sample basis, the expenses and payments made by Shenzhou on behalf of the Group to the instructions given by the Group or other relevant supporting information;
- Checking to the bank advices for cash remitted to the Group by Shenzhou during the year and subsequent to the year-end; and
- Comparing the receivable balance recorded in the Group's accounting system to the external confirmation obtained by us from Shenzhou.

We found management's assessment on the recoverability and accuracy of the receivable from Shenzhou was supportable by the available evidence.

Independent Auditor's Report

羅兵咸永道

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the accounts receivable of the Group *Refer to Notes 3(a)(ii), 4(a)(ii) and 22 to the consolidated financial statements* As at 31 December 2016, the Group's accounts receivable balance amounted to HK$721.6 million comprising gross accounts receivable of HK$857.5 million net of provision for impairment of HK$135.9 million. Management has performed an assessment on the recoverability of the accounts receivable balance with reference to the aging analysis as at 31 December 2016. In performing the assessment, management also considered a number of factors including but not limited to the debtors' financial positions, collection history, past experience and subsequent settlements. Management is of the opinion that the provision for impairment of accounts receivable was adequate but not excessive at 31 December 2016. This is considered as a key matter to our audit because of the judgements involved in management's assessment and the financial significance of the receivable balance to the Group's consolidated financial statements.	Our audit procedures in relation to management's assessment on the recoverability of the accounts receivable included: • Understanding, evaluating and testing, on a sample basis, management's credit control procedures and their basis of estimation of the amount of impairment provision required for the accounts receivable balance; • Testing post-year end settlements of accounts receivable on a sample basis; • Obtaining confirmations for a sample of the balances as at 31 December 2016 directly from the debtors and testing the reconciling items. Where a response to the request was not received, we agreed the relevant receivable balances to the underlying sale contracts or supporting information or post year end cash receipts; • Testing the accuracy of aging profile of the accounts receivable at the year end, on a sample basis, against sales invoices and related sales contracts or billing records; and • Discussing with management to assess the recoverability of significant and aged accounts receivable balances by corroborating management's explanations with relevant supporting documentation and market information, including external payment schedules from the customers, and financial information of the customers. We found the judgement and assumptions used by the management in determining the provision for accounts receivable to be supportable based on available evidence.

Independent Auditor's Report

pwc 羅兵咸永道

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit committee is responsible for overseeing the Group's financial reporting process.

pwc 羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 April 2017

Consolidated Income Statement

For the year ended 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	5	**3,798,273**	4,200,895
Operating expenses	7	**(2,678,183)**	(2,973,897)
Selling, general and administrative expenses	7	**(938,960)**	(912,528)
Other gains/(losses), net			
Fair value gain on investment properties	15	**21,127**	98,939
Other operating gains/(losses), net	6	**186,730**	(152,218)
Interest income		**149,859**	117,684
Interest expense on bank borrowings		**(41,171)**	(49,625)
Share of profits less losses of joint ventures	17	**(4,906)**	(18,624)
Share of profits less losses of associates	18	**(12,946)**	(18,919)
Profit before income tax		**479,823**	291,707
Income tax expense	9	**(81,809)**	(139,876)
Profit for the year		**398,014**	151,831
Profit attributable to:			
Owners of the Company		**230,515**	110,349
Non-controlling interests		**167,499**	41,482
		398,014	151,831
Earnings per share for profit attributable to the owners of the Company for the year			
Basic earnings per share, Hong Kong cents	10	**4.61**	2.21
Diluted earnings per share, Hong Kong cents	10	**4.61**	2.21

The notes on pages 121 to 231 are an integral part of these consolidated financial statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	2016 $'000	2015 $'000
Profit for the year	**398,014**	151,831
Other comprehensive income:		
Items that have been reclassified/may be reclassified to profit or loss		
Currency translation differences	**(266,683)**	(152,409)
Release of reserve upon disposal of a subsidiary and an associate	**–**	(5,813)
Fair value gain on available-for-sale financial assets	**11,650**	15,116
Total comprehensive income for the year	**142,981**	8,725
Attributable to:		
Owners of the Company	**70,846**	29,194
Non-controlling interests	**72,135**	(20,469)
	142,981	8,725

The notes on pages 121 to 231 are an integral part of these consolidated financial statement.

Consolidated Balance Sheet

As at 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	12	**14,886**	15,395
Lease premium for land	13	**210,179**	223,338
Property, plant and equipment, net	14	**1,160,842**	1,340,438
Investment properties	15	**1,464,088**	1,547,854
Intangible assets	16	**25,872**	16,507
Investments in joint ventures	17	**24,159**	27,768
Amount due from a joint venture	17	**–**	1,500
Investments in associates	18	**84,414**	21,918
Available-for-sale financial assets	27	**617,835**	391,412
Derivative financial instruments	38	**458,073**	216,742
Other long-term assets	23	**46,008**	50,557
Deferred income tax assets	36	**69,849**	50,634
Pledged bank deposit	37	**185,000**	220,866
		4,361,205	4,124,929
Current assets			
Accounts receivable, net	22	**721,566**	843,680
Prepayments, deposits and other receivables	23	**565,330**	976,783
Inventories	24	**8,456**	8,579
Amounts due from related companies	25	**261,774**	135,394
Derivative financial instruments	38	**10,860**	–
Self-produced programmes		**7,328**	8,866
Purchased programme and film rights, net	12	**231**	450
Financial assets at fair value through profit or loss	26	**19,003**	18,896
Prepaid tax		**11,355**	3,571
Pledged bank deposits	37	**622,162**	434,326
Bank deposits	28	**394,666**	462,147
Restricted cash	29	**548**	1,505
Cash and cash equivalents	30	**2,283,990**	2,542,692
		4,907,269	5,436,889
Total assets		**9,268,474**	9,561,818

The notes on pages 121 to 231 are an integral part of these consolidated financial statement.

Consolidated Balance Sheet

As at 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2016 $'000**	2015 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**500,100**	500,099
Reserves		**4,525,371**	4,514,261
		5,025,471	5,014,360
Non-controlling interests	19(e)	**1,603,304**	1,530,008
Total equity		**6,628,775**	6,544,368
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	35(a)	**349,464**	782,469
Derivative financial instrument	38	**220**	1,793
Other long-term liabilities		**4,681**	77,474
Loans from non-controlling shareholders of subsidiaries	35(b)	**266,430**	176,789
Deferred income tax liabilities	36	**167,980**	163,598
		788,775	1,202,123
Current liabilities			
Accounts payable, other payables and accruals	34	**1,057,099**	1,168,993
Secured bank borrowings	35(a)	**632,295**	431,607
Deferred income		**88,209**	95,353
Loans from non-controlling shareholders of a subsidiary	35(b)	**19,274**	45,487
Current income tax liabilities		**52,465**	72,452
Derivative financial instruments	38	**1,582**	1,435
		1,850,924	1,815,327
Total liabilities		**2,639,699**	3,017,450
Total equity and liabilities		**9,268,474**	9,561,818

The notes on pages 121 to 231 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 113 to 231 were approved by the Board of Directors on 17 March 2017 and were signed on its behalf.

LIU Changle
Director

CHUI Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company										
	Note	Share capital $'000	Treasury share reserve $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		500,099	–	49,619	131,854	1,505,548	20,616	10,249	155,694	2,640,681	1,530,008	6,544,368
Profit for the year		–	–	–	–	–	–	–	–	230,515	167,499	398,014
Other comprehensive income												
Currency translation differences		–	–	–	–	–	(166,129)	–	–	–	(100,554)	(266,683)
Fair value gain on available-for-sale financial assets		–	–	–	–	–	–	6,460	–	–	5,190	11,650
Total comprehensive income for the year		–	–	–	–	–	(166,129)	6,460	–	230,515	72,135	142,981
Transactions with owners												
Share option scheme												
– value of employee services		–	–	–	–	–	–	–	–	–	2,458	2,458
– recognition of shares issued on exercise of options		1	–	10	–	–	–	–	(2)	–	–	9
– lapse of share options		–	–	2,047	–	–	–	–	(2,047)	–	–	–
Repurchase of shares		–	(5,042)	(18)	–	–	–	–	–	–	–	(5,060)
Dividends related to 2015	11	–	–	–	–	–	–	–	–	(50,010)	–	(50,010)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(15,046)	(15,046)
Allocation to statutory reserve		–	–	–	9,385	–	–	–	–	(9,385)	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	8,483	8,483
Deemed disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(2,509)	(2,509)
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	40(a)	–	–	–	–	(2,233)	–	–	(2,441)	–	7,775	3,101
Total transactions with owners		1	(5,042)	2,039	9,385	(2,233)	–	–	(4,490)	(59,395)	1,161	(58,574)
Balance at 31 December 2016		500,100	(5,042)	51,658	141,239	1,503,315	(145,513)	16,709	151,204	2,811,801	1,603,304	6,628,775

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 121 to 231 are an integral part of these consolidated financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Unless otherwise specified, 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	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2015		499,769	38,973	110,091	1,565,805	110,196	1,824	168,323	2,752,135	1,723,634	6,970,750
Profit for the year		–	–	–	–	–	–	–	110,349	41,482	151,831
Other comprehensive income											
Currency translation differences		–	–	–	–	(84,243)	–	–	–	(68,166)	(152,409)
Fair value gain on available-for-sale financial assets		–	–	–	–	–	8,425	–	–	6,691	15,116
Release of reserve upon disposal of a subsidiary and an associate		–	–	–	–	(5,337)	–	–	–	(476)	(5,813)
Total comprehensive income for the year		–	–	–	–	(89,580)	8,425	–	110,349	(20,469)	8,725
Transactions with owners											
Share option scheme											
– value of employee services		–	–	–	–	–	–	1,339	–	42,843	44,182
– recognition of shares issued on exercise of options		330	8,454	–	–	–	–	(2,213)	–	–	6,571
– lapse of share options		–	2,192	–	–	–	–	(2,192)	–	–	–
Dividends related to 2014	11	–	–	–	–	–	–	–	(200,040)	–	(200,040)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(41,552)	(41,552)
Allocation to statutory reserve		–	–	21,763	–	–	–	–	(21,763)	–	–
Acquisition of additional equity interests in a subsidiary	40(b)	–	–	–	(47,192)	–	–	–	–	(127,879)	(175,071)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(778)	(778)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	3,701	3,701
Deemed acquisition of partial interest in a subsidiary arising from exercise and vesting of share-based awards and repurchase of shares	40(a)	–	–	–	(13,065)	–	–	(9,563)	–	(49,492)	(72,120)
Total transactions with owners		330	10,646	21,763	(60,257)	–	–	(12,629)	(221,803)	(173,157)	(435,107)
Balance at 31 December 2015		500,099	49,619	131,854	1,505,548	20,616	10,249	155,694	2,640,681	1,530,008	6,544,368

Consolidated Statement of Cash Flows

For the year ended 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**921,643**	515,472
Interest received		**68,835**	66,432
Interest paid		**(41,171)**	(49,625)
Hong Kong taxation paid		**(35,767)**	(62,814)
Overseas taxation paid		**(78,763)**	(58,417)
Net cash generated from operating activities		**834,777**	411,048
Cash flows from investing activities			
Withdrawal of restricted cash		**957**	–
Placement of pledged bank deposit	37	**(151,970)**	(372,329)
Decrease/(increase) in bank deposits	28	**67,481**	(168,066)
Purchase of intangible assets	16	**(11,691)**	–
Purchase of property, plant and equipment	14	**(117,219)**	(103,375)
Purchase of programme and film rights	12	**(16,915)**	(18,588)
Net cash outflow from disposal of a subsidiary	39(b)	**(4,719)**	(5,016)
Capital contribution to various investments		**(221,120)**	(475,405)
Advance to joint ventures	17	**–**	(15,000)
Convertible loans advanced to a related company	43	**(166,833)**	–
Proceeds from disposal of property, plant and equipment		**2,720**	65
Investment income from financial assets at fair value through profit or loss		**8,878**	9,932
Dividend from an associate		**–**	904
Net cash used in investing activities		**(610,431)**	(1,146,878)

The notes on pages 121 to 231 are an integral part of these consolidated financial statement.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Proceeds from exercise of share options of the Company	32, 33	**9**	6,571
Dividends paid to owners of the Company	11	**(50,010)**	(200,040)
Proceeds from exercise of share options of a subsidiary		**3,101**	9,508
Drawdown of secured bank borrowings	35	**406,548**	458,462
Repayment of secured bank borrowings	35	**(619,182)**	(67,805)
Repayment of loans from non-controlling shareholders of a subsidiary		**(127,528)**	–
Loans from non-controlling shareholders of subsidiaries	35	**137,894**	41,375
Capital contribution from non-controlling shareholders of subsidiaries		**8,483**	3,701
Dividends paid to non-controlling interests		**(15,046)**	(41,552)
Payment for repurchase of shares		**(5,060)**	–
Payment for repurchase of shares of a subsidiary	40(a)	**–**	(81,629)
Payment of acquisition of additional equity interests in a subsidiary	40(b)	**–**	(175,071)
Repayment of other long-term liabilities		**(72,793)**	–
Net cash used in financing activities		**(333,584)**	(46,480)
Net decrease in cash and cash equivalents		**(109,238)**	(782,310)
Cash and cash equivalents at beginning of year		**2,542,692**	3,407,711
Net exchange losses on cash and cash equivalents		**(149,464)**	(82,709)
Cash and cash equivalents at end of year	30	**2,283,990**	2,542,692

The notes on pages 121 to 231 are an integral part of these consolidated financial statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, 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 and provision of new media services.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong Special Administrative Region of the People's Republic of China ("PRC"). 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").

The financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 17 March 2017.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable 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, derivative financial instruments, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(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 new standards and amendments to standards effective in 2016

HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs Amendment 2014	Annual Improvements 2012–2014 Cycle

The adoption of the above new standards and amendments to standards does not have any significant impact to the results and financial position of the Group for the year ended 31 December 2016.

(ii) New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards that have been issued but are not effective for the financial year ended 31 December 2016 and have not been early adopted by the Group:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (2)
HKFRS 9	Financial Instruments (2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
HKFRS 15	Revenue from Contracts with Customers (2)
HKFRS 16	Leases (3)
HKAS 7 (Amendments)	Disclosure Initiative (1)
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses (1)

(1) Effective for the Group for annual period beginning on 1 January 2017
(2) Effective for the Group for annual period beginning on 1 January 2018
(3) Effective for the Group for annual period beginning on 1 January 2019
(4) Effective date to be determined

The Group will apply the above new standards and amendments to standards from 1 January 2017 or later periods. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

(ii) Separate financial statements

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 received and receivable.

2 Summary of significant accounting policies (Continued)

(d) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is 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. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(e) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(f) 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.

(g) 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.

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

Changes in the fair value of debt 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 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 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

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(g) 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 joint venture entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

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

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

No depreciation is provided on assets under construction until they are completed and are available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, 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%–33.3%
Motor vehicles	20%–25%
LED panels	10%–11.1%
Aircraft	7.1%

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

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(m)).

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

(i) 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 gains/(losses), net".

(j) 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.

2 Summary of significant accounting policies (Continued)

(j) Intangible assets (Continued)

(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 ten years.

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

(iii) Contractual customer relationships

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

(iv) Club debentures

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

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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.

2 Summary of significant accounting policies (Continued)

(k) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. Cost of film rights is expensed in the consolidated income statement on the first and second showing and cost of purchased programme is expensed in the consolidated income statement by amortising the cost over the license period on a straight line basis.

Purchased programme with license period of 12 months or less and film rights with economic lives of 12 months or less are classified as current assets.

(l) 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.

(m) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Intangible 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, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(n) 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 (Note 2(p)). 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, other receivables, amounts due from related companies, amounts due from joint ventures, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2(r) and 2(s)).

(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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(n) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other gains/(losses), 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.

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in "Revaluation reserve" within equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of "Interest income". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale (Continued)

For equity investments, 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 the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(p) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are initially recognised in the consolidated statement of financial position at their fair value.

If the fair value of the derivatives at initial recognition differs from the transaction price and the fair value is not evidenced by a quoted price in an active market for an identical asset or based on valuation technique that uses only data from observable markets, such difference between fair value at initial recognition and the transaction price is deferred. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the derivatives.

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the consolidated income statement.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(q) 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(r) Accounts and other receivables

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection 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.

(s) 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.

(t) Deferred income

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

(u) 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.

When the Company reacquires its own equity instruments, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Such treasury shares may be acquired and held by the Group. Consideration paid or received shall be recognised directly in equity.

(v) Accounts payable, other payables and accruals

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

(w) 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.

2 Summary of significant accounting policies (Continued)

(x) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, associates and joint ventures 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 liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, 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

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(y) 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. The Group has no further payment obligations once the contributions have been paid.

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.

2 Summary of significant accounting policies (Continued)

(y) Employee benefits (Continued)

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group 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
- including the impact of any non-vesting conditions.

The fair value of options, at the time of grant is 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.

Cancellation of share options accompanied by the grant of replacement share options is accounted for as a modification of the terms of the cancelled share options. The compensation costs associated with the modification are recognised if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original share options. The incremental compensation cost is measured as the excess of the fair value of the replacement share options over the fair value of the cancelled share options at the cancellation date. Therefore, in relation to the modification, the Group recognises share-based compensation over the new vesting periods, which comprises (i) the amortisation of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognised compensation cost of original share option, using either the original term or the new term, whichever is higher for each reporting period.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(z) 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.

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated for the sale net of value-added tax, related agency commission expenses and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; 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.

(i) Advertising revenue

Advertising revenue, net of agency deductions is recognised upon the broadcast or posting 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 are 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.

2 Summary of significant accounting policies (Continued)

(aa) Revenue recognition (Continued)

(iv) Magazine advertising revenue

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

(v) Magazine subscription/circulation revenue

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

(vi) 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.

(vii) Barter revenue

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

(viii) 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.

(ix) Tuition revenue

Tuition revenue for educational programs and services is recognised when the services are rendered.

(x) Consultancy and advisory fees

Consultancy and advisory fees are recognised when the services are rendered.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(ab) 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 lease term.

(ac) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(ad) Dividend distribution

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

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, 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 ("CFO") of the Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(i) Market risk

(a) Foreign exchange risk

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

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

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

If the functional currency of the group entities had weakened/strengthened by 5% (2015: 5%) against the foreign currency of the net monetary assets of corresponding group entities, with all other variables held constant, after-tax profit for the year would have been HK$98,732,000 (2015: HK$56,179,000) higher or lower.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(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 further details of price risk exposed by the Group, please refer to Note 26.

(c) PRC regulations

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(d) Cash flow and fair value interest rate risks

The Group's cash flow and fair value interest-rate risks primarily arise from bank deposits, amount due from Shenzhou (Note 23), amount due from a related company (Note 25) and bank borrowings. Bank deposits placed, bank borrowings and amounts due from Shenzhou issued at variable rates expose the Group to cash flow interest-rate risk whereas bank deposits placed, and amounts due from a related company 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 and use interest rate swap contract to manage certain cash flow interest rate risks (Note 38).

At 31 December 2016, with all other variables held constant, if the interest rates of interest-bearing assets had increased/decreased by 1%, after-tax profit for the year would have been HK$28,861,000 (2015: HK$30,547,000) higher or lower.

At 31 December 2016, with all other variables held constant, if the interest rates of interest-bearing liabilities had increased/decreased by 1%, after-tax profit for the year would have been HK$9,818,000 (2015: HK$12,141,000) lower or higher.

(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$248,356,000 (2015: HK$689,159,000) representing approximately 3% (2015: 7%) of the total assets of the Group as of 31 December 2016. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers and advertising agents, taking into account their financial position, collection history, past experience and other factors. For banks, financial institutions and issuers of derivative financial instruments, only reputable well established banks and financial institutions are accepted.

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

Most of the payment terms for advertising revenue will be agreed between the Group and the customers at the beginning of year. Customers will make payments in accordance with the contract terms. The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

See Note 21 for further disclosure on credit risk.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Department aims to maintain flexibility in funding by keeping committed banking facilities available. Details of cash and cash equivalents and banking facilities are set out in Notes 30 and 31 respectively.

The table below analyses the Group's non-derivative 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.

	Within one year $'000	More than one year but not exceeding two years $'000	More than two years but not exceeding five years $'000	More than five years $'000
Group				
At 31 December 2016				
Accounts payable, other payables and accruals	**1,042,744**	**–**	**–**	**–**
Secured bank borrowings	**651,368**	**218,195**	**156,069**	**2,721**
Loans from non-controlling shareholders of subsidiaries	**19,274**	**89,922**	**158,410**	**18,098**
At 31 December 2015				
Accounts payable, other payables and accruals	1,162,106	–	–	–
Secured bank borrowings	472,839	267,569	260,965	458,602
Loans from non-controlling shareholders of a subsidiary	45,487	98,632	78,157	–

3 Financial risk management (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings.

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

(c) Fair value estimation

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

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

The Finance Department reviews the valuations of the Group's financial instruments. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 December 2016. See Note 15 for disclosures of the investment properties that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	**19,003**	**–**	**–**	**19,003**
Available-for-sale financial assets				
– Convertible redeemable preferred shares				
– debt component	**–**	**–**	**605,849**	**605,849**
– Equity securities	**–**	**–**	**11,986**	**11,986**
Derivative financial instruments				
– Convertible redeemable preferred shares				
– derivative component	**–**	**–**	**440,261**	**440,261**
– Convertible loan				
– derivative component	**–**	**–**	**10,860**	**10,860**
– Options	**–**	**–**	**17,812**	**17,812**
	19,003	**–**	**1,086,768**	**1,105,771**
Liability				
Derivative financial instruments				
– Interest rate swap contracts	**–**	**(1,802)**	**–**	**(1,802)**
	–	**(1,802)**	**–**	**(1,802)**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	18,896	–	–	18,896
Available-for-sale financial assets				
– Convertible redeemable preferred shares				
– debt component	–	–	390,200	390,200
– Equity securities	–	–	1,212	1,212
Derivative financial instruments				
– Convertible redeemable preferred shares				
– derivative component	–	–	216,742	216,742
	18,896	–	608,154	627,050
Liability				
Derivative financial instruments				
– Interest rate swap contracts	–	(2,194)	–	(2,194)
– Currency swap contract	–	(1,034)	–	(1,034)
	–	(3,228)	–	(3,228)

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Same).

(i) Financial instruments in level 1

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 2016, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$19,003,000 (2015: HK$18,896,000) (Note 26).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instrument in level 2

The fair values of interest rate swap contracts and currency swap contract are determined by valuation techniques that use observable inputs such as interest rates, yield curves and foreign currency rates that are observable at commonly quoted intervals.

(iii) Financial instruments in level 3

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 ($'000)	Valuation techniques	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares (comprising debt component of $605,849,000 and derivative component of $440,261,000)	1,046,110	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	43%	The lower the volatility, the higher the fair value
			Revenue growth rate	10%-205%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options	17,812	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	33%	The lower the discount rate, the higher the fair value
Convertible loan – derivative component	10,860	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	17.1%-18.2%	The lower the discount rate, the higher the fair value

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2015 ($'000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares (comprising debt component of HK$390,200,000 and derivative component of HK$216,742,000)	606,942	Discounted cash flow method	Discount rate	25.5%	The lower the discount rate, the higher the fair value
			DLOM	26%	The lower the DLOM, the higher the fair value
			Volatility	50.3%	The lower the volatility, the higher the fair value
			Revenue growth rate	5%-503%	The higher the revenue growth rate, the higher fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value

The convertible redeemable preferred shares represent investments in Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares (as at 31 December 2015: Series B convertible redeemable preferred shares and Series C convertible redeemable preferred shares) of Particle Inc. ("Particle") by the Group (the "Preferred Shares") (see Note 43 for details).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

An independent professional valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle, which was then allocated to Particle's common shares and Preferred Shares using the option-pricing and binomial models. The fair value of the Preferred Shares was further allocated to the debt component and derivative component using the DCF method.

The following table presents the changes in level 3 instruments during the year ended 31 December 2016. The carrying value of derivative component of the Preferred Shares recognised in the consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares.

	Equity Securities	Convertible loan	Options	Preferred Shares				
		Derivative component		Debt component	Derivative component			Total
					Gross	Deferred day one gain	Net	
	$'000	$'000	$'000	$'000 (Note 27)	$'000	$'000	$'000 (Note 38)	$'000
Opening balance on 1 January 2016	1,212	-	-	390,200	223,219	(6,477)	216,742	608,154
Transfer	(1,212)	-	-	-	-	-	-	(1,212)
Additions	11,986	14,085	18,282	122,744	38,171	-	38,171	205,268
Gains recognised in other comprehensive income	-	-	-	11,650	-	-	-	11,650
Gains and losses recognised in profit or loss	-	(3,225)	(471)	-	183,152	-	183,152	179,456
Interest income	-	-	-	81,024	-	-	-	81,024
Amortisation of deferred day one gain in profit or loss	-	-	-	-	-	2,123	2,123	2,123
Currency translation differences	-	-	1	231	73	-	73	305
Closing balance on 31 December 2016	11,986	10,860	17,812	605,849	444,615	(4,354)	440,261	1,086,768
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	-	(3,225)	(471)	-	183,152	2,123	185,275	181,579
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	-	-	-	11,650	-	-	-	11,650

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Preferred Shares				
	Debt component	Derivative component			Total
		Gross	Deferred day one gain	Net	
	$'000 (Note 27)	$'000	$'000	$'000 (Note 38)	$'000
Opening balance on 1 January 2015	32,770	64,817	(8,712)	56,105	88,875
Purchase of Preferred Shares	291,426	205,563	–	205,563	496,989
Gains recognised in other comprehensive income	15,116	–	–	–	15,116
Gains and losses recognised in profit or loss	–	(46,931)	–	(46,931)	(46,931)
Interest income	51,249	–	–	–	51,249
Amortisation of deferred day one gain in profit or loss	–	–	2,235	2,235	2,235
Currency translation differences	(361)	(230)	–	(230)	(591)
Closing balance on 31 December 2015	390,200	223,219	(6,477)	216,742	606,942
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	–	(46,931)	2,235	(44,696)	(44,696)
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	15,116	–	–	–	15,116

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
Year ended 31 December 2016	**10% increase or decrease $'000**	**1% increase or decrease $'000**	**3% increase or decrease $'000**	**3% increase or decrease $'000**	**5% increase or decrease $'000**
Convertible redeemable preferred shares	**272,086/(258,250)**	**50,702/(40,171)**	**(201,155)/277,349**	**(41,244)/47,149**	**(959)/81,496**

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
Year ended 31 December 2015	10% increase or decrease $'000	1% increase or decrease $'000	3% increase or decrease $'000	3% increase or decrease $'000	5% increase or decrease $'000
Convertible redeemable preferred shares	139,454/(131,804)	15,731/(14,208)	(90,075)/116,063	(22,111)/22,007	(24,218)/23,939

No sensitivity analysis for options amounted to HK$17,812,000 and derivative component of convertible loan amounted to HK$10,860,000 at 31 December 2016 (2015: Nil) is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(d) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2016	**Gross amounts of recognised financial assets $'000**	**Gross amounts of recognised financial liabilities set off in the balance sheet $'000**	**Net amounts of financial assets presented in the balance sheet $'000**	**Related amounts not set off in the balance sheet — Cash collateral received $'000**	**Net amount $'000**
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	**458,132**	**–**	**458,132**	**(23,351)**	**434,781**
– Not subject to master netting arrangement	**263,434**	**–**	**263,434**	**–**	**263,434**
	721,566	**–**	**721,566**	**(23,351)**	**698,215**

As at 31 December 2015	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet — Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	613,908	–	613,908	(17,002)	596,906
– Not subject to master netting arrangement	229,772	–	229,772	–	229,772
	843,680	–	843,680	(17,002)	826,678

Notes:

(i) Internet advertising customers have provided cash collateral to the Group of HK$23,351,000 (2015: HK$17,002,000) as protection for payment and contractual obligations under the terms of advertising sale agreements. The Group has the right to invoke the collateral if a customer has failed to settle outstanding payments or full contractual obligations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements

(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) Fair values of available-for-sale financial assets and derivative financial instruments

The fair values of available-for-sale financial assets and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details, refer to Note 3 (c)(iii).

(ii) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectability of accounts receivable, other receivables, amounts due from related companies and the receivable from an advertising agent, Shenzhou. In making such judgement, management considers a number of factors including but not limited to the financial positions, collection history, past experience and subsequent settlements of debtors and Shenzhou.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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.

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

(v) Recognition of share-based compensation expense

The Group adopts the Black-Scholes option pricing model to determine the fair value of share options at the grant date. 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. Changes in these estimates and assumptions could affect the determination of the fair value of the options, and the amount of such share-based awards expected to become vested, which may in turn impact the determination of the share-based compensation expense.

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

(i) Control over Phoenix Metropolis Media Technology Company Limited ("PMM Beijing")

Management considers that the Group has de facto control of PMM Beijing even though it has less than 50% of the voting rights. Management has exercised its critical judgement when determining whether the Group has de facto control over PMM Beijing by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM Beijing; and (ii) the Group has the ability to direct the relevant activities of PMM Beijing, i.e. the activities that significantly affect PMM Beijing; and (iii) PMM Beijing and other shareholders highly rely on the Group's industry expertise, brand, network, and reputation.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information

The Group is principally engaged in satellite television broadcasting and provision of new media services. An analysis of the Group's revenue by nature is as follows:

	2016 **$'000**	2015 $'000
Advertising sales		
Television broadcasting	**1,340,271**	1,505,403
New media	**1,362,129**	1,431,423
Outdoor media	**602,767**	567,028
Mobile, video and wireless value added services income	**267,532**	489,285
Subscription sales	**85,550**	91,514
Magazine advertising and subscription or circulation	**41,469**	46,413
Rental income	**27,606**	14,650
Others	**70,949**	55,179
	3,798,273	4,200,895

The operating segments have been 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, Phoenix Hong Kong 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

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2016								
	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	1,310,632	120,315	1,430,947	1,629,661	610,295	27,606	99,764	–	3,798,273
Inter-segment sales (Note c)	–	42,377	42,377	–	–	7,295	77	(49,749)	–
Total revenue	1,310,632	162,692	1,473,324	1,629,661	610,295	34,901	99,841	(49,749)	3,798,273
Segment results	447,307	(29,688)	417,619	389,113	67,283	(47,251)	(7,442)	–	819,322
Unallocated income (Note a)									28,080
Unallocated expenses (Note b)									(349,727)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									497,675
Share of profits less losses of joint ventures									(4,906)
Share of profits less losses of associates									(12,946)
Income tax expense									(81,809)
Profit for the year									398,014
Non-controlling interests									(167,499)
Profit attributable to owners of the Company									230,515
Depreciation	(32,384)	(19,129)	(51,513)	(49,227)	(33,796)	(36,251)	(5,542)	–	(176,329)
Unallocated depreciation									(43,785)
									(220,114)
Interest income	1	1,007	1,008	135,247	2,646	198	198	–	139,297
Unallocated interest income									10,562
									149,859
Interest expenses	–	(66)	(66)	(8,173)	–	(26,973)	–	–	(35,212)
Unallocated interest expenses									(5,959)
									(41,171)
Impairment of property, plant and equipment	–	–	–	(104)	(7,607)	–	–	–	(7,711)
Unallocated impairment of property, plant and equipment									(12,100)
									(19,811)
Reversal of provision for impairment of accounts receivable	–	–	–	8,103	–	–	–	–	8,103
Provision for impairment of accounts receivable	–	(11)	(11)	(63,275)	(2,674)	–	(627)	–	(66,587)
Reversal of provision for impairment of amounts due from joint ventures	–	–	–	1,224	–	–	–	–	1,224

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2015								
	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	1,451,302	146,793	1,598,095	1,920,708	571,521	14,650	95,921	–	4,200,895
Inter-segment sales (Note c)	–	44,515	44,515	–	67	3,208	77	(47,867)	–
Total revenue	1,451,302	191,308	1,642,610	1,920,708	571,588	17,858	95,998	(47,867)	4,200,895
Segment results	552,639	(30,935)	521,704	153,634	63,806	1,106	(92,057)	–	648,193
Unallocated income (Note a)									51,047
Unallocated expenses (Note b)									(369,990)
Profit before share of results of joint ventures/ associates, income tax and non-controlling interests									329,250
Share of profits less losses of joint ventures									(18,624)
Share of profits less losses of associates									(18,919)
Income tax expense									(139,876)
Profit for the year									151,831
Non-controlling interests									(41,482)
Profit attributable to owners of the Company									110,349
Depreciation	(56,927)	(27,376)	(84,303)	(56,192)	(36,114)	(38,783)	(10,607)	–	(225,999)
Unallocated depreciation									(25,544)
									(251,543)
Interest income	3	1,338	1,341	88,605	4,881	203	6,382	–	101,412
Unallocated interest income									16,272
									117,684
Interest expenses	–	(73)	(73)	(2,858)	–	(41,287)	–	–	(44,218)
Unallocated interest expenses									(5,407)
									(49,625)
Impairment of property, plant and equipment	–	–	–	(4,631)	(5,741)	–	–	–	(10,372)
Provision for impairment of accounts receivable	–	–	–	(59,691)	(9,205)	–	(6,062)	–	(74,958)
Provision for impairment of amounts due from joint ventures	–	–	–	(11,738)	–	–	(27,547)	–	(39,285)
Provision for impairment of investment in a joint venture	–	–	–	(3,854)	–	–	–	–	(3,854)
Reversal of provision for impairment of amount from an associate	–	–	–	–	–	–	301	–	301
Provision for impairment of available-for-sale financial asset	–	–	–	(7,805)	–	–	–	–	(7,805)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

Notes:

(a) Unallocated income represents exchange gain, interest income, investment income and other income.

(b) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses;
- marketing and advertising expenses relate to the Group as a whole;
- exchange loss; and
- fair value loss on financial assets.

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

Revenue from external customers by country, based on the destination of the customer:

	2016	2015
	$'000	$'000
The PRC	**3,675,533**	4,049,267
Hong Kong	**28,136**	47,322
Others	**94,604**	104,306
	3,798,273	4,200,895

Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2016	2015
	$'000	$'000
The PRC	**2,263,644**	2,401,164
Hong Kong	**893,035**	759,993
Others	**58,769**	82,618
	3,215,448	3,243,775

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

6 Other operating gains/(losses), net

	2016 **$'000**	2015 $'000
Exchange loss, net	**(55,812)**	(57,213)
Investment income	**8,878**	9,932
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 26)	**107**	(3,694)
Fair value gain/(loss) on derivative financial instruments (Note 38)	**183,005**	(46,787)
Gain on deemed disposed of a subsidiary (Note 39(b))	**49,344**	–
Gain on disposal of a subsidiary and associates	**–**	5,214
Reversal of provision for/(provision for) impairment of amounts due from joint ventures (Notes 17(a), 25(a))	**1,224**	(39,285)
Provision for impairment of investment in a joint venture (Note 17)	**–**	(3,854)
Reversal of provision for impairment of amount due from an associate	**–**	301
Provision for impairment of available-for-sale financial asset (Note 27)	**–**	(7,805)
Others, net	**(16)**	(9,027)
	186,730	(152,218)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

7 Profit before income tax

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

	2016 **$'000**	2015 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**(8,103)**	–
Gain on disposal of property, plant and equipment	**(533)**	(39)
Charging		
Production costs of self-produced programmes	**195,913**	196,957
Commission expenses	**372,202**	396,436
Bandwidth costs	**75,056**	102,625
Provision for impairment of accounts receivable	**66,587**	74,958
Employee benefit expenses (including Directors' emoluments) (Note 8)	**1,185,144**	1,254,732
Operating lease rental in respect of		
– Directors' quarters	**1,893**	1,891
– Land and buildings of third parties	**70,374**	82,470
– LED panels	**195,659**	199,447
Loss on disposal of property, plant and equipment	**678**	952
Depreciation of property, plant and equipment	**220,114**	251,543
Amortisation of purchased programme and film rights	**16,358**	19,025
Amortisation of lease premium for land	**5,786**	5,949
Amortisation of intangible assets	**1,663**	1,564
Impairment of property, plant and equipment	**19,811**	10,372
Auditor's remuneration		
– Audit services	**13,512**	13,288
– Non-audit services	**1,736**	1,200
Outgoings for investment properties	**3,960**	1,495

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8 Employee benefit expenses

	2016 **$'000**	2015 $'000
Wages, salaries and other allowances	**1,161,590**	1,188,014
Unutilised annual leave	**(875)**	(38)
Pension costs - defined contribution plan, net of forfeited contributions (Note a)	**21,971**	22,574
Share-based compensation expense (Note 33)	**2,458**	44,182
	1,185,144	1,254,732

(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 2016, the aggregate amount of the employer's contributions was approximately HK$18,983,000 (2015: HK$20,110,000) and the total amount of forfeited contributions was approximately HK$1,427,000 (2015: HK$2,368,000).

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$30,000 from 1 June 2014 onwards for each employee. For those employees with monthly relevant income less than HK$7,100, since 1 November 2013, the employees' contributions are voluntary.

For the year ended 31 December 2016, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$2,633,000 (2015: HK$2,989,000) and the forfeited contributions was HK$61,000 (2015: HK$12,000).

8 Employee benefit expenses (Continued)

(b) Five highest paid individuals and senior managements' emoluments

The five highest paid individuals in the Group for the year ended 31 December 2016 included three Directors (2015: three) and two members of senior management (2015: one). The aggregate emoluments paid/payable to the five highest paid individuals during the year are as follows:

	2016	2015
	$'000	$'000
Salaries	**18,837**	20,149
Discretionary bonus	**667**	2,221
Housing allowance	**5,786**	4,664
Pension costs	**1,388**	1,191
	26,678	28,225

The emoluments of the 5 highest paid individuals (2015: five highest paid individuals and three remaining members of senior management) fall within the following bands:

	Number of individuals	
Emolument band	**2016**	2015
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	3
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–
HK$9,500,001 – HK$10,000,000	**–**	1
	5	8

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 (2015: Nil).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on PRC and 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.

	2016 **$'000**	2015 $'000
Current income tax		
– Hong Kong profits tax	**36,190**	66,818
– PRC and overseas taxation	**63,057**	68,766
– Over provision of tax in the prior year	**(8,321)**	(1,194)
Deferred income tax (Note 36)	**(9,117)**	5,486
	81,809	139,876

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 (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.

Certain subsidiaries enjoyed preferential tax rates of 15% (2015: 15%) for being new technology enterprises in the PRC. In addition, a subsidiary enjoyed income tax exemption (2015: none) and a subsidiary enjoyed preferential tax rate of 12.5% (2015: 12.5%) for being software enterprise in the PRC.

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:

	2016 **$'000**	2015 $'000
Profit before income tax	**479,823**	291,707
Calculated at a taxation rate of 16.5% (2015: 16.5%)	**79,171**	48,132
Income not subject to taxation	**(104,427)**	(42,272)
Expenses not deductible for taxation purposes	**47,010**	88,252
Tax losses not recognised	**27,663**	28,701
Effect of different tax rate in other countries	**42,722**	23,199
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(2,009)**	(4,727)
Recognition of temporary differences not previously recognised	**–**	842
Utilisation of previously unrecognised tax losses	**–**	(1,057)
Over provision of tax in the prior year	**(8,321)**	(1,194)
Income tax expense	**81,809**	139,876

10 Earnings per share

(a) Basic

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

	2016	2015
Profit attributable to owners of the Company ($'000)	**230,515**	110,349
Weighted average number of ordinary shares in issue ('000)	**5,000,860**	5,000,006
Basic earnings per share (Hong Kong cents)	**4.61**	2.21

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary (2015: share options of the Company and a subsidiary, ordinary shares issuable upon the restricted share units of a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share. The impact of the dilutive instruments of the subsidiary is not material to the Group's diluted earnings per share.

	2016	2015
Profit attributable to owners of the Company ($'000)	**230,515**	110,349
Weighted average number of ordinary shares in issue ('000)	**5,000,860**	5,000,006
Adjustment for share options of the Company ('000)	**589**	1,930
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,001,449**	5,001,936
Diluted earnings per share (Hong Kong cents)	**4.61**	2.21

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

11 Dividends

	2016 **$'000**	2015 $'000
Proposed final dividend of 1 Hong Kong cent (2015: 1 Hong Kong cent) per share	**50,010**	50,010

The 2015 final dividend paid during the year ended 31 December 2016 were approximately HK$50,010,000 (1 Hong Kong cent per share). The Board of Directors of the Company ("Board") recommend the payment of a final dividend of 1 Hong Kong cent per share, totaling approximately HK$50,010,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2017. These consolidated financial statements do not reflect this dividend payable.

12 Purchased programme and film rights, net

	2016 **$'000**	2015 $'000
Balance, beginning of year	**15,845**	17,350
Additions	**16,915**	18,588
Amortisation	**(16,358)**	(19,025)
Others	**(1,285)**	(1,068)
Balance, end of year	**15,117**	15,845
Less: Purchased programme and film rights – current portion	**(231)**	(450)
	14,886	15,395

13 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:

	2016 **$'000**	2015 $'000
Balance, beginning of year	**223,338**	234,368
Amortisation	**(5,786)**	(5,949)
Currency translation differences	**(7,373)**	(5,081)
Balance, end of year	**210,179**	223,338

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

13 Lease premium for land (Continued)

(a) Included in the net book value as of 31 December 2016 is an amount of HK$102,051,000 (2015: HK$112,466,000) 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.

(b) Included in the net book value as of 31 December 2016 is an amount of HK$13,935,000 (as at 31 December 2015: HK$14,340,000) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen 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 metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 31 December 2016, 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 of the Shenzhen Building will be issued in the near future.

14 Property, plant and equipment, net

	Freehold land $'000	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 2016										
Opening net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	-	1,340,438
Additions	-	85	29,206	5,175	63,207	1,693	3,127	-	14,726	117,219
Disposals	-	-	(110)	(650)	(53)	(252)	(1,913)	-	-	(2,978)
Depreciation	-	(35,662)	(39,416)	(2,552)	(99,508)	(5,327)	(30,350)	(7,299)	-	(220,114)
Impairment	-	-	-	-	(104)	-	(7,607)	(12,100)	-	(19,811)
Transfers	-	-	(36)	-	36	-	12,893	-	(12,893)	-
Currency translation differences	(783)	(32,819)	(3,152)	(343)	(7,165)	(180)	(9,406)	-	(64)	(53,912)
Closing net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842
At 31 December 2016										
Cost	11,718	687,490	484,284	28,770	878,392	45,286	291,611	100,971	1,769	2,530,291
Accumulated depreciation and impairment	-	(107,939)	(302,888)	(20,725)	(680,160)	(35,434)	(169,450)	(52,853)	-	(1,369,449)
Net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

14 Property, plant and equipment, net (Continued)

	Freehold land $'000	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 2015										
Opening net book amount	12,670	720,512	211,435	5,896	301,533	18,032	200,845	74,816	–	1,545,739
Additions	–	–	32,386	2,526	65,409	2,213	841	–	–	103,375
Disposals	–	–	(100)	(1)	(939)	(40)	–	–	–	(1,080)
Depreciation	–	(43,283)	(46,623)	(1,901)	(113,701)	(6,130)	(32,606)	(7,299)	–	(251,543)
Impairment	–	–	–	–	(4,631)	–	(5,741)	–	–	(10,372)
Transfers	–	–	–	–	–	–	–	–	–	–
Currency translation differences	(169)	(29,282)	(2,194)	(105)	(5,852)	(157)	(7,922)	–	–	(45,681)
Closing net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438
At 31 December 2015										
Cost	12,501	725,191	462,735	25,112	854,739	47,593	311,536	100,971	–	2,540,378
Accumulated depreciation and impairment	–	(77,244)	(267,831)	(18,697)	(612,920)	(33,675)	(156,119)	(33,454)	–	(1,199,940)
Net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438

Depreciation expense of approximately HK$137,157,000 (2015: HK$153,607,000) has been charged in "Operating expenses", and approximately HK$82,957,000 (2015: HK$97,936,000) in "Selling, general and administrative expenses".

(a) Included in the net book value as of 31 December 2016 is an amount of HK$24,084,000 (2015: HK$24,784,000) which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. As at 31 December 2016, the cost was HK$30,848,000 (as at 31 December 2015: HK$30,848,000) with a net book value of HK$24,084,000 (as at 31 December 2015: HK$24,784,000). As at 31 December 2016, the Group was still in the process of obtaining the title certificate to the 8,500 square metres of the entitled areas through the payment of land premium and taxes (see Note 13(b)).

(b) As of 31 December 2016, 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 noncompliance with laws and regulations is remote.

(c) Included in the net book value as of 31 December 2016 is an amount of HK$48,118,000 (2015: HK$67,517,000) which relates to the aircraft for operation use.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties

	2016 $'000	2015 $'000
Balance, beginning of year	**1,547,854**	1,515,675
Fair value gain	**21,127**	98,939
Currency translation differences	**(104,893)**	(66,760)
Balance, end of year	**1,464,088**	1,547,854

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of investment properties. Independent valuations of the investment properties were performed by the valuers, Vigers Appraisal and Consulting Limited and Lambert Smith Hampton, to determine the fair value of the properties as at 31 December 2016 (2015: Same). Fair value gain of approximately HK$21,127,000 (2015: HK$98,939,000) is included in the "Other gains/(losses), net" in the consolidated income statement.

(i) Fair value hierarchy

Description	**Fair value measurements at 31 December 2016 using significant unobservable inputs (Level 3) $'000**	Fair value measurements at 31 December 2015 using significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Investment properties		
– Phoenix International Media Centre		
– The PRC	**1,452,332**	1,534,012
– Commercial – UK	**11,756**	13,842

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Finance Department, headed by CFO, reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the Finance Department and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the Finance Department:

- Verifies all majors inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iii) Valuation techniques

For the investment property in UK with a carrying amount of HK$11,756,000 (2015: HK$13,842,000), 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 at least once every six months by a qualified valuer using income capitalisation approach.

Income capitalisation approach is based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow 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.

In addition, for the investment property in the PRC, which represents gross floor area of Phoenix International Media Centre held for rental income, has a carrying value of HK$1,452,332,000 (as at 31 December 2015: HK$1,534,012,000). The fair value of this investment property is determined using the information from the valuation performed by external professional valuer using the direct comparison method. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved. There were no changes in valuation techniques during the year.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value at 31 Dec 2016 ($'000)**	**Valuation technique**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Phoenix International Media Centre – The PRC	1,452,332	Direct comparison	Adjusted average price of HK$33,250 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	11,756	Income capitalisation approach	Estimated rental value of HK$3,505 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

Description	Fair value at 31 Dec 2015 ($'000)	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC	1,534,012	Direct comparison	Adjusted average price of HK$35,120 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	13,842	Income capitalisation approach	Estimated rental value of HK$4,119 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(v) Quantitative sensitivity analysis

The major sources of estimation uncertainty of investment properties are mainly contributed by the Phoenix International Media Centre and the quantitative sensitivity analysis is shown as below:

	Adjusted average price per square metre 5% increase or decrease $'000
At 31 December 2016	**72,617**
At 31 December 2015	76,701

(b) Deferred tax

The Group's investment properties in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 36).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16 Intangible assets

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2016						
Opening net book amount	**8,733**	**–**	**–**	**2,705**	**5,069**	**16,507**
Additions	**–**	**11,341**	**–**	**–**	**350**	**11,691**
Disposal	**–**	**–**	**–**	**(640)**	**–**	**(640)**
Amortisation	**–**	**(87)**	**–**	**–**	**(1,576)**	**(1,663)**
Currency translation differences	**–**	**–**	**–**	**–**	**(23)**	**(23)**
Closing net book amount	**8,733**	**11,254**	**–**	**2,065**	**3,820**	**25,872**
At 31 December 2016						
Cost	**8,733**	**13,742**	**1,924**	**2,065**	**10,000**	**36,464**
Accumulated amortisation and impairment	**–**	**(2,488)**	**(1,924)**	**–**	**(6,180)**	**(10,592)**
Net book amount	**8,733**	**11,254**	**–**	**2,065**	**3,820**	**25,872**
Year ended 31 December 2015						
Opening net book amount	8,733	–	–	2,705	6,652	18,090
Amortisation	–	–	–	–	(1,564)	(1,564)
Currency translation differences	–	–	–	–	(19)	(19)
Closing net book amount	8,733	–	–	2,705	5,069	16,507
At 31 December 2015						
Cost	8,733	2,401	1,924	2,705	9,686	25,449
Accumulated amortisation and impairment	–	(2,401)	(1,924)	–	(4,617)	(8,942)
Net book amount	8,733	–	–	2,705	5,069	16,507

Amortisation of approximately HK$1,663,000 (2015: HK$1,564,000) is included in "Selling, general and administrative expenses" during the year.

An impairment review of the carrying amount of goodwill at 31 December 2016 was performed and no impairment provision is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual cash-generating units (CGUs) identified according to operating segment. The recoverable amount is based on a value in use calculation. There was no impairment charge recognised during the year (2015: 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

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Interests in joint ventures

	2016 $'000	2015 $'000
Unlisted investments, net	**24,159**	27,768
Amount due from a joint venture (Note (a))	**–**	1,500
	24,159	29,268

The Group's investments in joint ventures are analysed as follows:

	2016 $'000	2015 $'000
Unlisted investments, at cost	**77,503**	69,575
Capital contribution	**2,612**	7,928
Less: Capital returned upon dissolution	**(748)**	–
Less: Provision for impairment	**(4,326)**	(4,326)
Less: Share of profits less losses of joint ventures	**(50,315)**	(45,409)
Currency translation difference	**(567)**	–
Unlisted investments, net	**24,159**	27,768

(a) Amount due from a joint venture

	2016 $'000	2015 $'000
Amount due from a joint venture	**–**	12,743
Less: Provision for impairment	**–**	(11,243)
	–	1,500

During the year ended 31 December 2015, provision for impairment of HK$27,547,000 was made and included in "Other gains/(losses), net". The Group also wrote off amount due from joint ventures of approximately HK$99,639,000 against the provision for impairment made in prior years during the year ended 31 December 2015. In addition, the amount due from a joint venture of HK$12,743,000 and the related provision for impairment of HK$11,243,000, classified as non-current asset as at 31 December 2015, have been reclassified to current asset as the loan was repayable within 1 year as at 31 December 2016.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Interests in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2016 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諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 Beijing Simulcast Communication Co. Ltd.*	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting, and media marketing industry in the PRC	45%	RMB30,000,000
深圳市優悅文化傳播有限公司	The PRC, 15 December 2010	The PRC	Radio broadcasting in the PRC	50%	RMB10,000,000
北京華寶鳳凰文化傳播有限公司 Huabao Phoenix Beijing Cultural Communication Co., Ltd.*	The PRC, 2 September 2013	The PRC	Provision of promotional related services	30%	RMB2,000,000
北京鳳凰天博網絡技術有限公司 Beijing Fenghuang Tianbo Network Technology Co., Ltd.*	The PRC, 31 May 2013	The PRC	New Media	27.73%	RMB1,960,000
北京鳳天優房地產經紀有限公司	The PRC, 4 March 2015	The PRC	New Media	27.73%	RMB500,000
鳳凰金房信息諮詢(北京)有限公司	The PRC, 15 June 2015	The PRC	New Media	27.73%	RMB1,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Interests in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2016 were as follows: (Continued)

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
Phoenix FM Limited	Cayman Islands, 29 August 2013	Cayman Islands	New Media	55.45%	US$560
Phoenix FM (Hong Kong) Company Limited	Hong Kong, 24 October 2013	Hong Kong	New Media	55.45%	HK$1
鳳凰愛聽(北京)信息技術有限公司 Phoenix FM (Beijing) Information Technology Co. Ltd.*	The PRC, 24 January 2014	The PRC	New Media	55.45%	US$1,700,000
北京鳳鳴九天網絡技術有限公司 Beijing Fengming Jiutian Network Technology Co. Ltd.*	The PRC, 28 February 2014	The PRC	New Media	55.45%	RMB1,000,000
深圳市鳳凰精彩網絡技術有限公司 Shenzhen Fenghuang Jingcai Network Technology Co. Ltd.*	The PRC, 1 April 2014	The PRC	New Media	17.49%	RMB71,428,571
塔美數據科技(上海)有限公司	The PRC, 30 March 2015	The PRC	Data technology	51%	RMB2,000,000
廣州華師鳳凰文化教育信息技術有限公司	The PRC, 30 October 2012	The PRC	Education	36%	RMB10,000,000
北京華桐鳳凰科技發展有限公司	The PRC, 27 July 2016	The PRC	Technical consulting	30%	RMB1,000,000
縱横文旅(上海)實業發展有限公司	The PRC, 9 October 2016	The PRC	Cultural development	40%	RMB60,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Interests in joint ventures (Continued)

(b) Shenzhen Phoenix City Forum Co., Ltd., in which the Group previously held 50% equity interests, was dissolved on 28 November 2016.

(c) Aggregate information of joint ventures that are individually immaterial

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2016 **$'000**	2015 $'000
The Group's share of profits less losses and total comprehensive income	**4,906**	(18,624)
Aggregate carrying amount of the Group's interests in these joint ventures	**24,159**	27,768

(d) As at 31 December 2016, there are no commitments and contingent liabilities relating to the Group's interests in joint ventures (2015: Nil).

18 Investments in associates

The Group's investments in associates are analysed as follows:

	2016 **$'000**	2015 $'000
Unlisted investments, at cost	**37,566**	82,452
Fair value of non-controlling interests retained	**53,379**	–
Capital contribution	**26,113**	12,045
Transfer (Note 27(b))	**1,212**	–
Disposal of associates	**–**	(56,027)
Dividend from an associate	**–**	(904)
Share of profits less losses of associates	**(28,594)**	(15,648)
Currency translation difference	**(5,262)**	–
Unlisted investments, net	**84,414**	21,918

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18 Investments in associates (Continued)

Details of the principal associates which are accounted for by the equity method of accounting as at 31 December 2016 are as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
匯川創業投資股份有限公司 SinoPlus Venture Capital Corp.	Taiwan, 11 September 2013	Taiwan	Cultural development	30%	NTD200,000,000
杭州奇客科技有限公司 Hangzhou Qike Technology Co., Ltd.*	The PRC, 13 February 2015	The PRC	Management consulting	25.02%	RMB10,000,000
傳大鳳凰(北京)教育科技有限公司	The PRC, 2 August 2012	The PRC	Education	30%	RMB6,000,000
上海鳳凰衛視領客文化發展有限公司	The PRC, 3 December 2015	The PRC	Cultural development	45%	RMB7,300,000
Sky Fame Business Limited	British Virgin Islands, 8 August 2016	Hong Kong	Investment holding	25%	USD100
北京鳳凰理理它信息技術有限公司 Beijing Phoenix Li Li Ta Information Technology Co., Ltd.* ("LLT") (Note 27(b))	The PRC, 22 August 2014	The PRC	Provision of financing platforms	8.54%	RMB10,653,000

* *For identification only*

Note

(a) Aggregate information of associates that are individually immaterial

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2016 **$'000**	2015 $'000
The Group's share of profits less losses and total comprehensive income	**(12,946)**	(18,919)
Aggregate carrying amount of the Group's interests (including goodwill) in these associates	**84,414**	21,918

(b) As at 31 December 2016, there are no commitments and contingent liabilities relating to the Group's interests in associates (2015: Nil).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2016:

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 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	55.45%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
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 (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

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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 (Taiwan) Limited	British Virgin Islands, limited liability company	Taiwan	Programme production	100%	US$1
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
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	Technical consulting	55.45%	US$31,850,000
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
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	55.45%	US$2,563,353 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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
Green Lagoon Investments Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
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 c)	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 c)	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 c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320
鳳凰都市傳媒(深圳)有限公司(前稱深圳鳳凰都市廣告傳播有限公司) Phoenix Metropolis Media (Shenzhen) Company Limited* (Formerly Shenzhen Phoenix Metropolis Media Company Limited*) (Note c)	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 c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited* (Note d)	The PRC, limited liability company	The PRC	Property holding	70%	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%	EUR500,000
北京天盈九州網絡技術有限公司 Beijing Tianying Jiuzhou Network Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising, mobile value-add service, games and others	55.45%	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Mobile value-add services	55.45%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Advertising. Co. Ltd. (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB5,000,000

* *For identification only*

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PSTV, LLC	The United States of America, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd.*	The PRC, limited liability company	The PRC	Outdoor media business	100%	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 broadcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC, limited liability company	The PRC	Radio broadcasting	100%	RMB19,000,000
Phoenix (UK) Properties Company Limited	Hong Kong, limited liability company	Hong Kong	Properties holding	100%	HK$1
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Advertising	55.45%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1
Phoenix Research & Development Limited	British Virgin Islands, limited liability company	Hong Kong	Research and development	100%	US$1
Phoenix Industrial Development Centre Limited	Hong Kong, limited liability company	Hong Kong	Research and development	100%	HK$1
Phoenix Research Institute Limited	Hong Kong, company limited by guarantee	Hong Kong	Research and development	100%	–
Phoenix Culture Industrial Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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 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
北京鳳凰於天軟體技術有限公司 Beijing Fenghuang Yutian Software Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Software development	55.45%	RMB5,000,000
北京鳳凰互動娛樂網絡技術有限公司 (formerly known as 北京繼融文華文化傳播有限公司 Beijing Jirong Wenhua Culture Communication Co., Ltd.*) (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB10,000,000
鳳凰衛視文化產業發展(上海)有限公司 Phoenix Culture Industrial Development (Shanghai) Co., Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB25,000,000
天津鳳凰銘道文化傳播有限公司 Tianjin Fenghuang Mingdao Culture Communication Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB2,000,000
上海億息網絡技術有限公司 Shanghai Yixi Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB100,000,000
北京看盤寶科技有限公司	The PRC, 15 April 2016	The PRC	Data technology	38.82%	RMB1,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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
北京鳳凰融合投資有限公司 Beijing Fenghuang Convergence Investment Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Financial consulting services	55.45%	RMB400,000
上海喵球信息技術有限公司 Shanghai Miaoqiu Information Technology Co., Ltd.* (Note a(ii)) (Note c)	The PRC, limited liability company	The PRC	Technical consulting	41.59%	RMB1,000,000
成都歡遊天下網絡科技有限公司 Chengdu Huanyou Tianxia Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB500,000
Phoenix Overseas Infonews Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰飛揚(北京)新媒體信息技術有限公司 Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB100,000,000
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.45%	HK$1
Convergence Investment Co. Ltd	Cayman Islands, limited liability company	Cayman Islands	Investment consultancy	55.45%	US$0.01
フエニツクス•インフオニユース•ジヤパン株式会社 Phoenix InfoNews Japan Limited*	Japan, limited liability company	Japan	Satellite television broadcasting	100%	JPY 9,000,000
上海鳳凰衛視藝術發展有限公司 (前稱上海鳳凰衛視佼安藝術發展有限公司) Shanghai Phoenix General Nice Art Development Co. Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB100,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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
I Game Limited	Cayman Islands, exempted company	Cayman Islands	Investment holding	55.45%	US$0.01
I Game (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.45%	HK$1
北京塵寰科技有限公司 Beijing Chenhuan Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB1,500,000
北京遊九州技術有限公司 Beijing Youjiuzhou Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB1,500,000
北京歡遊天下科技有限公司 Beijing Huanyou Tianxia Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB10,000,000
北京鳳凰博銳軟件技術有限責任公司 Beijing Fenghuang Borui Software Technology Co. Ltd.*	The PRC, limited liability company	The PRC	Software development	55.45%	US$1,000,000
愜意游(北京)信息技術有限公司 Qie Yi You (Beijing) Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Game	55.45%	US$5,000,000
Phoenix Education Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix International Education Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	60%	HK$500,000
鳳翔(深圳)教育科技有限公司	The PRC, limited liability company	The PRC	Education	60%	RMB5,000,000
鳳凰新聯合(北京)教育科技有限公司 (Note a (ii))	The PRC, limited liability company	The PRC	Education	60%	RMB10,000,000
蘇州鳳凰新聯合科技有限公司 (Note a(ii))	The PRC, limited liability company	The PRC	Education	60%	RMB2,000,000

* *For identification only*

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (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
鳳凰置業投資控股有限公司 Phoenix Property Investment Holding Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Property Development Limited	Hong Kong, limited liability company	Hong Kong	Property development	100%	HK$1
Phoenix Cloud Technology Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰雲祥(北京)科技發展有限公司	The PRC, limited liability company	The PRC	Technical consulting	100%	RMB3,000,000
Phoenix Entertainment and Game Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Television Investment Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix New Life Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
北京鳳凰天翔遊戲科技有限公司	The PRC, limited liability company	The PRC	Investment holding	100%	RMB1,000,000
北京悠然暢思科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB10,000,000
Phoenix Hong Kong Television Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
北京鳳凰雲付信息技術有限公司	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB100,000
鳳凰衛視文化演藝(上海)有限公司	The PRC, limited liability company	The PRC	Cultural development	100%	RMB20,000,000
鳳凰康寧(北京)健康產業投資有限公司	The PRC, limited liability company	The PRC	Investment management	60%	RMB5,000,000
Phoenix Exhibitions Company Limited	Hong Kong, limited liability company	Hong Kong	Exhibitions business	100%	HK$1
上海淘韻文化傳媒有限公司	The PRC, limited liability company	The PRC	Games development	55%	RMB1,120,000
上海隱娛網絡科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB1,000,000
上海鳳娛視訊科技有限公司	The PRC, limited liability company	The PRC	Media technology development	55.45%	RMB50,000,000
北京鳳凰都市互動科技有限公司 (Note c)	The PRC, limited liability company	The PRC	Technical consulting	18.22%	RMB12,500,000

* *For identification only*

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Notes:

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

ii. The Group does not have any equity interest in Beijing Tianying Jiuzhou Network Technology Co. Ltd., Yifeng Lianhe (Beijing) Technology Co. Ltd., Beijing Chenhuan Technology Co. Ltd., Beijing Youjiuzhou Technology Co. Ltd., Beijing Huanyou Tianxia Technology Co. Ltd. and 鳳凰新聯合(北京)教育科技有限公司 and their respective subsidiaries (collectively referred to as "VIE entities"). However, through entering various contractual arrangements with the registered equity holders of VIE entities, the Group has rights to variable returns from its involvement with these VIE entities and has the ability to affect those returns through its power over them and is considered to control them. Consequently, the Company regards VIE entities as indirect subsidiaries under HKFRS. The Group has included the financial position and results of these VIE entities in the consolidated financial statements from date of acquisition of control. The management of the Group is of the opinion that these contractual arrangements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable.

iii. Jinhua Fenghuang Interactive Entertainment Network Technology Co., Ltd. was dissolved on 29 November 2016, in which the Group held 55.45% equity interest as at 29 November 2016.

(b) 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 2016.

(c) 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.

(d) Cash and short-term deposits of HK$1,808,765,000 (2015: HK$1,863,416,000) held in the PRC are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 are HK$1,603,304,000 (2015: HK$1,530,008,000), of which HK$290,972,000 (2015: HK$292,830,000) is attributed to PMM Beijing and its subsidiaries (collectively referred to as "PMM Group"); HK$1,157,623,000 (2015: HK$1,034,828,000) is attributed to Phoenix New Media Limited ("PNM") and its subsidiaries (collectively referred to as "PNM Group"); and HK$162,652,000 (2015: HK$202,230,000) is attributed to Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"). The non-controlling interests in respect of other subsidiaries in which the Group holds less than 100% are not material.

Set out below are the summarised financial information for PMM Group, PNM Group and Phoenix Oriental that have non-controlling interests that are material to the Group. See Note 40 for transactions with non-controlling interests.

Summarised balance sheet

	PMM Group		**PNM Group**		**Phoenix Oriental**	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current assets	**450,219**	395,761	**2,328,133**	2,278,848	**48,429**	38,532
Current liabilities	**(211,209)**	(190,835)	**(1,119,874)**	(907,293)	**(926,189)**	(199,010)
Net current assets/(liabilities)	**239,010**	204,926	**1,208,259**	1,371,555	**(877,760)**	(160,478)
Non-current assets	**292,827**	335,611	**1,227,511**	799,460	**2,007,308**	2,162,076
Non-current liabilities	**–**	–	**(1,485)**	(1,590)	**(587,375)**	(1,327,496)
Net non-current assets	**292,827**	335,611	**1,226,026**	797,870	**1,419,933**	834,580
Net assets	**531,837**	540,537	**2,434,285**	2,169,425	**542,173**	674,102
Non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**(7,574)**	–	**3,934**	1,127	**–**	–
Net assets attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**524,263**	540,537	**2,438,219**	2,170,552	**542,173**	674,102
Non-controlling interests	**290,972**	292,830	**1,157,623**	1,034,828	**162,652**	202,230

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	PMM Group		PNM Group		Phoenix Oriental	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**609,485**	567,094	**1,629,661**	1,920,708	**31,999**	14,650
Profit/(loss) before income tax	**66,628**	59,212	**385,800**	124,798	**(43,371)**	3,873
Income tax expense	**(21,072)**	(20,861)	**(16,730)**	(31,692)	**(5,173)**	(24,189)
Profit/(loss) after income tax	**45,556**	38,351	**369,070**	93,106	**(48,544)**	(20,316)
Other comprehensive income	**–**	–	**18,081**	42,481	**–**	–
Profit/(loss) and total comprehensive income for the year	**45,556**	38,351	**387,151**	135,587	**(48,544)**	(20,316)
Total comprehensive income for the year attributable to non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**909**	–	**2,807**	1,474	**–**	–
Total comprehensive income for the year attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**46,465**	38,351	**389,958**	137,061	**(48,544)**	(20,316)
Total comprehensive income allocated to non-controlling interests	**23,828**	20,891	**169,519**	58,097	**(14,563)**	(10,158)
Dividends paid to non-controlling interests	**15,046**	41,552	**–**	–	**–**	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised cash flows

	PMM Group		PNM Group		Phoenix Oriental	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from/(used in) operations	**71,421**	59,765	**303,070**	330,496	**(52,018)**	(109,520)
Income tax paid	**(19,180)**	(10,518)	**(59,027)**	(47,610)	**–**	–
Net cash generated from/(used in) operating activities	**52,241**	49,247	**244,043**	282,886	**(52,018)**	(109,520)
Net cash (used in)/generated from investing activities	**(19,704)**	39,846	**(206,723)**	(905,658)	**(1,058)**	(24,275)
Net cash (used in)/generated from financing activities	**(19,142)**	(76,292)	**243,151**	92,400	**63,743**	49,051
Net increase/(decrease) in cash and cash equivalents	**13,395**	12,801	**280,471**	(530,372)	**10,667**	(84,744)
Cash and cash equivalents at beginning of year	**169,951**	164,645	**1,051,847**	1,640,025	**33,703**	122,021
Net exchange losses on cash and cash equivalents	**(10,783)**	(7,495)	**(79,630)**	(57,806)	**(2,635)**	(3,574)
Cash and cash equivalents at end of year	**172,563**	169,951	**1,252,688**	1,051,847	**41,735**	33,703

The information above is the amount before inter-company eliminations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Financial instruments by category

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

	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 2016				
Available-for-sale financial assets (Note 27)	**–**	**–**	**617,835**	**617,835**
Derivative financial instruments (Note 38)	**–**	**468,933**	**–**	**468,933**
Financial assets at fair value through profit or loss (Note 26)	**–**	**19,003**	**–**	**19,003**
Bank deposits (Note 28)	**394,666**	**–**	**–**	**394,666**
Pledged bank deposits (Note 37)	**807,162**	**–**	**–**	**807,162**
Accounts receivable (Note 22)	**721,566**	**–**	**–**	**721,566**
Other receivables (Note 23)	**424,791**	**–**	**–**	**424,791**
Amounts due from related companies (Note 25)	**261,774**	**–**	**–**	**261,774**
Restricted cash (Note 29)	**548**	**–**	**–**	**548**
Cash and cash equivalents (Note 30)	**2,283,990**	**–**	**–**	**2,283,990**
Total	**4,894,497**	**487,936**	**617,835**	**6,000,268**

	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 2015				
Available-for-sale financial assets (Note 27)	–	–	391,412	391,412
Derivative financial instruments (Note 38)	–	216,742	–	216,742
Financial assets at fair value through profit or loss (Note 26)	–	18,896	–	18,896
Bank deposits (Note 28)	462,147	–	–	462,147
Pledged bank deposits (Note 37)	655,192	–	–	655,192
Accounts receivable (Note 22)	843,680	–	–	843,680
Other receivables (Note 23)	841,470	–	–	841,470
Amounts due from related companies (Note 25)	135,394	–	–	135,394
Amounts due from joint ventures (Note 17)	1,500	–	–	1,500
Restricted cash (Note 29)	1,505	–	–	1,505
Cash and cash equivalents (Note 30)	2,542,692	–	–	2,542,692
Total	5,483,580	235,638	391,412	6,110,630

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Financial instruments by category (Continued)

	Financial liability at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Liabilities per consolidated balance sheet			
31 December 2016			
Derivative financial instruments (Note 38)	**1,802**	**–**	**1,802**
Accounts payable, other payables and accruals (Note 34)	**–**	**1,042,744**	**1,042,744**
Borrowings			
– Secured bank borrowings (Note 35(a))	**–**	**981,759**	**981,759**
– Loans from non-controlling shareholders of subsidiaries (Note 35(b))	**–**	**285,704**	**285,704**
Total	**1,802**	**2,310,207**	**2,312,009**
31 December 2015			
Derivative financial instruments (Note 38)	3,228	–	3,228
Accounts payable, other payables and accruals (Note 34)	–	1,162,106	1,162,106
Borrowings			
– Secured bank borrowings (Note 35(a))	–	1,214,076	1,214,076
– Loans from non-controlling shareholders of subsidiaries (Note 35(b))	–	222,276	222,276
Total	3,228	2,598,458	2,601,686

21 Credit quality of financial assets

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

Accounts receivable

	2016	2015
	$'000	$'000
Counterparties without external credit rating		
Group 1	**31,804**	46,660
Group 2	**825,683**	900,552
	857,487	947,212

Other receivables

	2016	2015
	$'000	$'000
Counterparties without external credit rating		
Group 1	**26,916**	26,828
Group 2	**397,875**	814,642
	424,791	841,470

Amounts due from related companies

	2016	2015
	$'000	$'000
Counterparties without external credit rating		
Group 2	**261,774**	135,394

Group 1 – new customers/related parties (less than 6 months).

Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

21 Credit quality of financial assets (Continued)

Cash and cash equivalents

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

	2016	2015
	$'000	$'000
AA -	**365,083**	460,953
A+	**5,012**	28
A	**26,715**	27,401
A-	**1,105,004**	1,477,570
BBB+	**676,947**	517,618
BBB	**50,770**	20,355
Others (Note a)	**53,693**	37,880
	2,283,224	2,541,805

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

Restricted cash

	2016	2015
	$'000	$'000
AA-	**–**	943
A+	**322**	–
A	**226**	562
	548	1,505

Available-for-sale financial assets

	2016	2015
	$'000	$'000
Others (Note b)	**617,835**	391,412

Note b: Balance represents investments in debt and equity securities of private companies which credit ratings are not available.

21 Credit quality of financial assets (Continued)

Bank deposits

	2016	2015
	$'000	$'000
AA-	**–**	37,535
A-	**162,974**	189,519
BBB+	**225,294**	193,193
BBB	**6,398**	16,569
Others	**–**	25,331
	394,666	462,147

Pledged bank deposits

	2016	2015
	$'000	$'000
AA-	**807,162**	655,192

Financial assets at fair value through profit or loss

	2016	2015
	$'000	$'000
AA-	**19,003**	18,896

None of the financial assets that are fully performing has been renegotiated during the year (2015: Nil).

22 Accounts receivable, net

	2016	2015
	$'000	$'000
Accounts receivable	**857,487**	947,212
Less: Provision for impairment	**(135,921)**	(103,532)
	721,566	843,680

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 23). 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

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22 Accounts receivable, net (Continued)

At 31 December 2016, the ageing analysis of the accounts receivable from customers was as follows:

	2016 **$'000**	2015 $'000
0–30 days	**263,339**	230,830
31–60 days	**162,671**	149,543
61–90 days	**108,982**	102,032
91–120 days	**67,873**	89,815
Over 120 days	**254,622**	374,992
	857,487	947,212
Less: Provision for impairment	**(135,921)**	(103,532)
	721,566	843,680

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

	2016 **$'000**	2015 $'000
RMB	**824,658**	895,331
US$	**28,995**	46,274
UK pound	**2,709**	4,511
Other currencies	**1,125**	1,096
	857,487	947,212

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

	2016 **$'000**	2015 $'000
At 1 January	**103,532**	53,333
Provision for impairment	**66,587**	74,958
Receivables written off during the year as uncollectible	**(16,884)**	(21,996)
Reversal of provision for impairment	**(8,103)**	–
Currency translation differences	**(9,211)**	(2,763)
At 31 December	**135,921**	103,532

The creation and release of provision for impaired accounts receivables of approximately HK$58,484,000 (2015: HK$74,958,000) have been included in "Selling, general and administrative expenses" in the consolidated income statement (Note 7). The Group has written off approximately HK$16,884,000 (2015: HK$21,996,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year because there is no expectation of recovering additional cash.

22 Accounts receivable, net (Continued)

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

As at 31 December 2016, accounts receivable of approximately HK$184,237,000 (2015: HK$385,117,000) 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:

	2016	2015
	$'000	$'000
0–30 days	**47,438**	80,165
31–60 days	**34,533**	43,729
61–90 days	**10,850**	48,597
91–120 days	**11,090**	43,649
Over 120 days	**80,326**	168,977
	184,237	385,117

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. Refer to Note 3(d) for collaterals held by the Group.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

23 Prepayments, deposits and other receivables

	2016	2015
	$'000	$'000
Prepayment and deposits	**186,547**	185,870
Other receivables	**424,791**	841,470
	611,338	1,027,340
Less: Non-current portion	**(46,008)**	(50,557)
Current portion	**565,330**	976,783

Included in other receivables is an amount of approximately RMB219,570,000 (HK$248,356,000) (2015: RMB568,728,000 (HK$689,159,000)) 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 5 June 2015, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB219,570,000 (HK$248,356,000) as at 31 December 2016 (2015: approximately RMB568,728,000 (HK$689,159,000)) 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.

23 Prepayments, deposits and other receivables (Continued)

As at 31 December 2016, other receivables of HK$424,791,000 (2015: HK$841,470,000) 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:

	2016	2015
	$'000	$'000
Up to 90 days	**181,944**	383,923
91 to 180 days	**138,420**	329,029
Over 180 days	**104,427**	128,518
	424,791	841,470

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

	2016	2015
	$'000	$'000
RMB	**416,433**	826,486
US$	**728**	726
HK$	**4,039**	10,679
UK pound	**2,658**	3,165
Other currencies	**933**	414
	424,791	841,470

As at 31 December 2016, other receivables of HK$11,535,000 (2015: HK$16,325,000) were impaired. During the year ended 31 December 2016, the Group has written off approximately HK$Nil (2015: HK$13,798,000) of other receivables against the provision for impairment of other receivable made in prior years.

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.

24 Inventories

	2016	2015
	$'000	$'000
Decoder devices and satellite receivers	**3,046**	3,009
Merchandised goods	**5,410**	5,570
	8,456	8,579

The cost of inventories sold of approximately HK$1,798,000 (2015: HK$695,000) for the year ended 31 December 2016 is charged to the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

25 Amounts due from related companies

	2016 $'000	2015 $'000
Amounts due from related companies		
– Joint ventures (Note a)	**20,845**	35,225
– An associate	**17**	–
– Other related companies	**240,912**	100,169
	261,774	135,394

(a) Amounts due from joint ventures

	2016 $'000	2015 $'000
Amounts due from joint ventures	**43,256**	46,963
Less: Provision for impairment	**(22,411)**	(11,738)
Amounts due from joint ventures, net	**20,845**	35,225

During the year ended 31 December 2016, the Group recorded a reversal of provision for impairment of HK$1,224,000 (2015: provision for impairment of HK$11,738,000), included in "other gains/(losses), net" after taking into account the present value of the estimated cash flows from the joint venture. In addition, the amount due from a joint venture of HK$12,743,000 and the related provision for impairment of HK$11,243,000, classified as non-current asset as at 31 December 2015 (Note 17), have been reclassified to current asset as the loan was repayable within 1 year as at 31 December 2016.

(b) At 31 December 2016, the ageing analysis of the amounts due from related companies, were as follows:

	2016 $'000	2015 $'000
Amounts due from related companies		
0–90 days	**102,250**	64,435
91–120 days	**12,818**	7,275
Over 120 days	**146,706**	63,684
	261,774	135,394

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

25 Amounts due from related companies (Continued)

(b) (Continued)

As at 31 December 2016, amounts due from related companies of HK$159,524,000 (2015: HK$62,315,000) were past due but not impaired.

	2016	2015
	$'000	$'000
Amounts due from related companies		
Up to 90 days	**131,808**	17,469
91–180 days	**12,229**	15,290
Over 180 days	**15,487**	29,556
	159,524	62,315

(c) The amount due from related companies are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$168,427,000 (2015: HK$Nil) due from Particle (see Note 43) which is unsecured, interest bearing at a range of 4.35% to 9% per annum and repayable within one year and trade receivables from related parties which are repayable in accordance with credit terms.

The carrying amounts of amounts due from related companies approximate their fair values as the impact of discounting is not significant.

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

(d) The carrying amounts of the Group's amounts due from related companies are denominated in RMB.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

26 Financial assets at fair value through profit or loss

	2016 **$'000**	2015 $'000
Trading equity securities	**19,003**	18,896

As at 31 December 2016, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$19,003,000 (2015: HK$18,896,000).

Fair value gain on financial assets at fair value through profit or loss of HK$107,000 (2015: fair value loss of HK$3,694,000) are recognised in "Other gains/(losses), net" in the consolidated income statement (Note 6) and are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (Note 39).

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 2016, the closing price of the shares of HSBC listed in Hong Kong was HK$62.3 (2015: HK$61.9). If the price of the shares of HSBC increased/decreased by 20% with all other variables held constant, post-tax profit for the year would have been HK$3,801,000 (2015: HK$3,779,000) higher/lower.

27 Available-for-sale financial assets

	2016 **$'000**	2015 $'000
Balance, beginning of year	**391,412**	32,770
Additions (Note 43)	**134,730**	300,443
Transfer (Note 18)	**(1,212)**	–
Provision for impairment	**–**	(7,805)
Fair value gain	**11,650**	15,116
Interest income	**81,024**	51,249
Currency translation differences	**231**	(361)
Balance, end of year	**617,835**	391,412

Available-for-sale financial assets include the following:

	2016 **$'000**	2015 $'000
Unlisted securities:		
– Preferred Shares – debt component	**605,849**	390,200
– Equity securities	**11,986**	1,212
	617,835	391,412

27 Available-for-sale financial assets (Continued)

(a) The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

	2016 **$'000**	2015 $'000
RMB	**2,262**	1,212
US$	**615,573**	390,200
	617,835	391,412

(b) The Group held equity interest in LLT amounting to RMB1,000,000 (approximately HK$1,212,000) as at 31 December 2015. On 20 May 2016, Beijing Huibo Advertisement Media Limited Company (北京滙播廣告傳媒有限公司) ("Huibo"), an indirect wholly-owned subsidiary of the Company, Mr. He Xin, Mr. Zhang Zhen (together "Major Shareholders") and LLT entered into an investment agreement ("Agreement"), pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK$45,607,000) to subscribe for an additional of approximately 1.25% equity interest in the enlarged capital of LLT. At the same time, other investors also agreed to subscribe an aggregate of approximately 4.88% equity interest in LLT for RMB165,000,000 (approximately HK$197,324,000).

Under the Agreement, Huibo and other investors were granted both call options and put options ("Options") with the same exercise terms. The call option enables the holder to further acquire a maximum of 8.75% additional equity interest in LLT at RMB1 per share from the Major Shareholders in the event that LLT cannot achieve the expected transaction amounts or revenues for the years ending 31 December 2016 and 2017. The put option grants the holder the right to request LLT to repurchase those equity interest acquired by Huibo on or after the date of the Agreement for a consideration equivalent to the aggregate of the initial investment costs of the relevant equity interest and the return of investment based on an annual rate of return of 10% should LLT fail to list, or decide not to list, on a recognised stock exchange in or outside the PRC before 31 December 2020.

The aforesaid capital increase was completed during the year and the Group indirectly held approximately 8.54% effective equity interest in LLT. The directors of the Company considered that the Group now has significant influence over LLT through its representative on the board of directors of LLT, LLT's reliance on the branding of Phoenix, and the relationship of the controlling shareholder of LLT with the Group (Note 42 (i)(e)). The previously held equity interest amounting to HK$1,212,000 has therefore been reclassified from "available-for-sale financial assets" to "investment in associates". The total investment costs in LLT of RMB39,136,000 (approximately HK$46,819,000) have been separated into (i) "investments in associates" which are accounted for using the equity method of accounting; and (ii) "derivative financial assets" for the call and put options (Note 38) which were measured at fair value of HK$17,812,000 as at 31 December 2016 based on an external valuation report.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

28 Bank deposits

	2016 **$'000**	2015 $'000
Short-term deposits (Note a)	**394,666**	462,147

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

	2016 **$'000**	2015 $'000
RMB	**251,486**	308,400
US$	**143,180**	153,747
	394,666	462,147

(b) During the year ended 31 December 2016, the Group recorded HK$48,247,000 interest income from bank deposits and pledged bank deposits (2015: HK$66,435,000)

29 Restricted cash

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

	2016 **$'000**	2015 $'000
RMB	**226**	242
UK pound	**–**	943
EURO	**322**	320
	548	1,505

30 Cash and cash equivalents

	2016 **$'000**	2015 $'000
Cash at bank and on hand	**1,016,475**	1,294,537
Short-term bank deposits	**1,267,515**	1,248,155
	2,283,990	2,542,692
Maximum exposure to credit risk	**2,283,224**	2,541,805
Denominated in:		
– HK$	**50,877**	81,992
– RMB	**1,295,816**	1,711,931
– US$	**927,190**	737,029
– Other currencies	**10,107**	11,740
	2,283,990	2,542,692

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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

31 Bank facilities

As at 31 December 2016, the Group has undrawn banking facilities of HK$325,610,000 (2015: HK$100,354,000).

32 Share capital

	2016 Number of shares	**2016** Amount $'000	2015 Number of shares	2015 Amount $'000
Authorised:				
Ordinary shares 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	**5,000,993,500**	**500,099**	4,997,695,500	499,769
Exercise of share options	**6,000**	**1**	3,298,000	330
At 31 December	**5,000,999,500**	**500,100**	5,000,993,500	500,099

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:

	2016 Average exercise price in HK$ per share	**2016** Options '000	2015 Average exercise price in HK$ per share	2015 Options '000
At 1 January	**2.86**	**102,034**	2.83	107,378
Exercised	**1.45**	**(6)**	1.98	(3,298)
Lapsed	**2.92**	**(2,190)**	2.92	(2,046)
At 31 December	**2.86**	**99,838**	2.86	102,034

As at 31 December 2016, out of the 99,838,000 (2015: 102,034,000) outstanding options, 99,838,000 (2015: 102,034,000) were exercisable. Options exercised in 2016 resulted in 6,000 (2015: 3,298,000) shares being issued at an average exercise price HK$1.79 each (2015: HK$1.98). The related weighted average share price at the time of exercise was HK$1.83 (2015: HK$3.02) per share.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, 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 in HK$ per share	Share options 2016 '000	2015 '000
25 March 2017	1.45	**3,944**	4,450
21 July 2019	1.17	**250**	250
8 March 2021	2.92	**92,854**	94,544
27 June 2021	3.06	**2,790**	2,790
		99,838	102,034

(b) Share options of PNM

PNM has a share option scheme under which it may grant options to the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates ("PNM Share Option Scheme"). Options are granted and exercisable in accordance with terms set out in the PNM Share Option Scheme. PNM has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2016, PNM implemented an option exchange program from 21 October 2016 to 1 November 2016, whereby PNM's directors, employees and consultants exchanged options to purchase 21,011,951 Class A ordinary shares of PNM granted under PNM's 2008 Share Option Plan with various exercise prices greater than US$0.4823 per share (or US$3.8587 per ADS) for new options granted by PNM under the same plan with a new exercise price of US$0.4823 per share and a new vesting schedule that generally adds 12 months to each original vesting date, and the new options would vest no sooner than 1 May 2017. PNM accounted for the option exchange program as option modification and recognised the total incremental share-based compensation of US$1.7 million (approximately HK$13 million), of which US$0.4 million (approximately HK$3 million) was recognised in the year ended 31 December 2016.

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

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

	2016 Average exercise price in US$ per share	**2016** Options '000	2015 Average exercise price in US$ per share	2015 Options '000
At 1 January	**0.80647**	**46,118**	0.79232	50,267
Granted	**0.47339**	**9,992**	0.91550	8,020
Lapsed	**0.93607**	**(10,006)**	1.02549	(8,379)
Excercised	**0.22112**	**(1,659)**	0.36462	(3,790)
At 31 December	**0.42754**	**44,445**	0.80647	46,118

As at 31 December 2016, out of the 44,445,000 (2015: 46,118,000) outstanding options, 12,803,000 (2015: 19,685,000) were excercisable. Options excercised in 2016 resulted in 1,659,000 (2015: 3,790,000) shares being issued at an average exercise price of US$0.22112 (2015: US$0.36462). The related weighted average share price at the time of exercise was US$0.46 (2015: US$0.77) per share.

Management estimates the fair values of options at the grant dates. The fair values of the options were determined using the Black-Scholes model. The key assumptions used in the valuation of the fair value of the options granted on respective dates are set out in the below table.

Date of grant	**Fair value of share options** (US$)	**Closing share price at grant date** (US$)	**Exercise price per share** (US$)	**Annual risk-free interest rate** (%)	**Expected life of options** (years)	**Expected volatility** (%)
15 March 2013	0.29895	0.5125	0.44593	1.54%	6.16	58.10%
23 May 2013	0.37349	0.61125	0.46565	1.60%	6.16	57.60%
1 October 2013	0.9615	1.40625	0.7867	1.87%	6.16	58.20%
8 October 2013	1.0998	1.5775	0.8249	1.88%	6.16	58.20%
10 December 2013	0.6609	1.1575	1.08443	1.71%	6.16	58.40%
14 March 2014	0.8336	1.405	1.3100	1.88%	6.16	62.20%
4 June 2014	0.6626	1.230	1.2749	1.61%	6.16	56.98%
11 July 2014	0.6608	1.236	1.3035	1.60%	6.16	56.38%
11 October 2014	0.6608	1.093	0.8249	1.60%	5.81	56.13%
16 July 2015	0.4658	0.8825	0.9155	1.98%	6.16	54.32%
17 October 2016	0.2342	0.45125	0.4734	1.5477%	6.16	55.30%
21 October 2016	0.1732-0.2193	0.4525	0.4823	1.2979%	3.91-5.39	50.67%-55.65%

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

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

Expiry date	Exercise price in US$ per share	Share options **2016** ’000	Share options 2015 ’000
25 May 2018	0.03215	**5,055**	5,956
14 March 2023	0.445925	**5,855**	8,244
22 May 2023	0.46565	**2,900**	2,900
30 September 2023	0.7867	**56**	56
7 October 2023	0.4823	**2,670**	4,832
9 December 2023	0.4823	**1,900**	1,900
3 June 2024	0.4823	**475**	940
4 June 2024	0.4823	**50**	550
10 July 2024	0.4823	**9,645**	12,918
10 October 2024	0.4823	**162**	162
15 July 2025	0.91555	**395**	7,660
15 July 2025	0.4823	**5,700**	–
16 October 2026	0.4733875	**9,582**	–
		44,445	46,118

(c) Restricted share units of PNM

On 15 March 2011, PNM adopted the restricted share unit (“RSU”) scheme.

Movement in RSU during the year is as follows:

	2016 **RSU’000**	2015 RSU’000
At 1 January	**–**	33
Vested	**–**	(33)
At 31 December	**–**	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

34 Accounts payable, other payables and accruals

	2016 **$'000**	2015 $'000
Accounts payable	**354,187**	392,446
Other payables and accruals	**702,912**	776,547
	1,057,099	1,168,993
Less: Non-financial liabilities	**(14,355)**	(6,887)
	1,042,744	1,162,106

At 31 December 2016, the ageing analysis of the accounts payable was as follows:

	2016 **$'000**	2015 $'000
0–30 days	**216,751**	202,278
31–60 days	**12,838**	22,216
61–90 days	**7,072**	18,362
91–120 days	**15,333**	19,842
Over 120 days	**102,193**	129,748
	354,187	392,446

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:

	2016 **$'000**	2015 $'000
HK$	**209,807**	298,924
RMB	**823,222**	850,987
US$	**7,194**	7,928
UK pound	**1,983**	3,697
Other currencies	**538**	570
	1,042,744	1,162,106

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

35 Borrowings

	2016 **$'000**	2015 $'000
Secured bank borrowings (Note a)	**981,759**	1,214,076
Loans from non-controlling shareholders of subsidiaries (Note b)	**285,704**	222,276
	1,267,463	1,436,352

(a) Secured bank borrowings

	2016 **$'000**	2015 $'000
Non-current		
Long term secured bank borrowings	**349,464**	782,469
Current		
Current portion of long-term secured bank borrowings	**632,295**	431,607
Total secured bank borrowings	**981,759**	1,214,076

	2016 **$'000**	2015 $'000
The secured bank borrowings are repayable as follows:		
– within one year	**632,295**	431,607
– more than one year but not exceeding two years	**206,089**	229,118
– more than two years but not exceeding five years	**141,388**	163,580
– more than five years	**1,987**	389,771
	981,759	1,214,076

As at 31 December 2016, bank borrowings of HK$209,254,000 (2015: HK$599,791,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$102,000,000 (2015: HK$112,000,000), HK$425,000,000 (2015: HK$487,000,000) and HK$1,452,000,000 (2015: HK$1,534,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.48% (2015: 6.73%) annually.

A bank borrowing of HK$1,988,000 (as at 31 December 2015: HK$2,027,000) is secured by a property in the United States with carrying value of approximately HK$2,774,000 (as at 31 December 2015: HK$2,810,000) recorded in property, plant and equipment as at 31 December 2016. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59% annually (as at 31 December 2015: 3.59%) annually.

Bank borrowings of HK$770,517,000 (as at 31 December 2015: HK$612,258,000) are secured by bank deposits of HK$807,162,000 (as at 31 December 2015: HK$655,192,000) as at 31 December 2016 (Note 37).

35 Borrowings (Continued)

(b) Loans from non-controlling shareholders of subsidiaries

	2016 $'000	2015 $'000
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**266,430**	176,789
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**19,274**	45,487
Total loans from non-controlling shareholders of subsidiaries	**285,704**	222,276

The loans from non-controlling shareholders of subsidiaries are repayable as follows:

	2016 $'000	2015 $'000
– Within one year	**19,274**	45,487
– More than one year but not exceeding two years	**89,922**	98,632
– More than two years but not exceeding five years	**158,410**	58,770
– More than five years	**18,098**	19,387
	285,704	222,276

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2015: same).

(c) The carrying amounts and fair values of the borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Secured bank borrowings	**981,759**	1,214,076	**981,759**	1,214,076
Loans from non-controlling shareholders of subsidiaries	**285,704**	222,276	**239,481**	208,396
	1,267,463	1,436,352	**1,221,240**	1,422,472

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.48% (2015: 6.48%) and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

36 Deferred income tax

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

	2016 **$'000**	2015 $'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(7,819)**	(6,058)
– Deferred income tax assets to be recovered within 12 months	**(62,030)**	(44,576)
	(69,849)	(50,634)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**167,980**	163,598
Deferred income tax liabilities, net	**98,131**	112,964

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

	2016 **$'000**	2015 $'000
At 1 January	**112,964**	112,463
(Credited)/charged to the consolidated income statement (Note 9)	**(9,117)**	5,486
Currency translation differences	**(5,716)**	(4,985)
At 31 December	**98,131**	112,964

Deferred taxation for the year ended 31 December 2016 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 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 did not recognise deferred income tax assets of HK$165,024,000 (2015: HK$166,113,000) in respect of unrecognised tax losses of HK$1,000,144,000 as at 31 December 2016 (2015: HK$1,006,744,000) that can be carried forward against future taxable income. Approximately HK$862,936,000 (2015: HK$985,610,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2028.

As at 31 December 2016, deferred income tax liabilities of HK$25,263,000 (2015: HK$20,394,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of HK$284,614,000 (2015: HK$259,940,000) 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.

36 Deferred income tax (Continued)

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

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of assets		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**4,257**	9,965	**160,523**	142,911	**164,780**	152,876
(Credited)/charged to the consolidated income statement	**(2,397)**	(5,637)	**17,509**	24,189	**15,112**	18,552
Current translation differences	**(106)**	(71)	**(11,206)**	(6,577)	**(11,312)**	(6,648)
At 31 December	**1,754**	4,257	**166,826**	160,523	**168,580**	164,780

Deferred income tax assets

	Tax losses		Provisions		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(9,107)**	(8,107)	**(42,709)**	(32,306)	**(51,816)**	(40,413)
Credited to the consolidated income statement	**–**	(1,000)	**(24,229)**	(12,066)	**(24,229)**	(13,066)
Current translation differences	**–**	–	**5,596**	1,663	**5,596**	1,663
At 31 December	**(9,107)**	(9,107)	**(61,342)**	(42,709)	**(70,449)**	(51,816)

37 Pledged bank deposits

As at 31 December 2016, two bank deposits of approximately HK$406,072,000 (as at 31 December 2015: US$ denominated bank deposits of approximately HK$503,703,000) bearing fixed interest rates ranging from 1.45% to 1.52% (as at 31 December 2015: 1.45% to 2%) per annum, are pledged to a bank to secure two bank borrowings of approximately HK$364,902,000 (as at 31 December 2015: HK$453,470,000) (Note 35(a)). The bank borrowings bear interests at LIBOR plus 0.4% and HIBOR plus 0.45% per annum respectively (as at 31 December 2015: ranging from LIBOR plus 0.4% to 0.7% per annum). The Group has entered into two interest rate swap contracts with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation ranging from 1.39% to 1.4% per annum (as at 31 December 2015: 1.39% to 1.55% per annum). The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 31 December 2016, the fair values of the outstanding interest rate swap contracts of HK$1,582,000 and HK$220,000 (as at December 2015: HK$1,793,000 and HK$401,000) have been recorded as derivative financial instruments under non-current liabilities and current liabilities respectively in the consolidated balance sheet (Note 38).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

37 Pledged bank deposits (Continued)

As at 31 December 2016, RMB denominated short-term bank deposits of approximately HK$401,090,000 (as at 31 December 2015: HK$151,462,000) bearing fixed interest rates ranging from 1.76% to 2.18% per annum (as at 31 December 2015: 3% per annum), is pledged to a bank to secure a RMB denominated long term bank borrowing of approximately HK$405,615,000 (as at 31 December 2015: HK$158,788,000) (Note 35). The bank borrowing bears interest at LIBOR plus 1%.

The fair values of pledged bank deposits approximate their carrying amounts.

38 Derivative financial instruments

	Asset		**Liability**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Preferred Shares				
derivative component (Note 43)	**440,261**	216,742	**–**	–
Convertible loan				
– derivative component (Note 43)	**10,860**	–	**–**	–
Options	**17,812**	–	**–**	–
Interest rate swap contracts (Note 37)	**–**	–	**(1,802)**	(2,194)
Currency swap contract	**–**	–	**–**	(1,034)
Total	**468,933**	216,742	**(1,802)**	(3,228)
Less: non-current portion				
– Preferred shares – derivative component	**(440,261)**	(216,742)	**–**	–
– Interest rate swap contract	**–**	–	**220**	1,793
– Options	**(17,812)**	–	**–**	–
Current portion				
– Interest rate swap contract	**–**	–	**(1,582)**	(401)
– Currency swap contract	**–**	–	**–**	(1,034)
Convertible loan – derivative component	**10,860**	–	**–**	–
	10,860	–	**(1,582)**	(1,435)
Balance, beginning of year	**216,742**	56,105	**(3,228)**	(1,137)
Addition	**70,538**	205,563	**–**	–
Fair value gain/(loss), net	**181,579**	(44,696)	**1,426**	(2,091)
Currency translation differences	**74**	(230)	**–**	–
Balance, end of year	**468,933**	216,742	**(1,802)**	(3,228)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2016 **$'000**	2015 $'000
Profit before income tax	**479,823**	291,707
Amortisation of lease premium for land	**5,786**	5,949
Depreciation of property, plant and equipment	**220,114**	251,543
Amortisation of purchased programme and film rights	**16,358**	19,025
Amortisation of intangible assets	**1,663**	1,564
Share-based compensation expense	**2,458**	44,182
Provision for impairment of accounts receivable	**66,587**	74,958
Reversal of provision for impairment of accounts receivable	**(8,103)**	–
Provision for impairment of available-for-sale asset	**–**	7,805
(Reversal of provision for)/provision for impairment of amounts due from joint ventures	**(1,224)**	39,285
Provision for impairment of investment in a joint venture	**–**	3,854
Reversal of provision for impairment of amount due from an associate	**–**	(301)
Loss on disposal of property, plant and equipment	**678**	952
Gain on disposal of property, plant and equipment	**(533)**	(39)
Gain on disposal of subsidiaries and associates	**(49,344)**	(5,214)
Share of profits less losses of joint ventures	**4,906**	18,624
Share of profits less losses of associates	**12,946**	18,919
Fair value gain on investment properties	**(21,127)**	(98,939)
Interest income	**(149,859)**	(117,684)
Interest expense on bank borrowings	**41,171**	49,625
Investment income	**(8,878)**	(9,932)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(107)**	3,694
Fair value (gain)/loss on derivative financial instruments	**(183,005)**	46,787
Impairment of property, plant and equipment	**19,811**	10,372
Decrease in other long-term assets	**4,549**	6,385
Decrease/(increase) in accounts receivable	**63,630**	(103,067)
Decrease/(increase) in prepayments, deposits and other receivables	**408,156**	(92,616)
Decrease/(increase) in inventories	**123**	(462)
Decrease/(increase) in amounts due from related companies	**37,335**	(3,990)
Decrease in self-produced programmes	**1,538**	3,236
(Decrease)/increase in accounts payable, other payables and accruals	**(36,665)**	66,810
Decrease in deferred income	**(7,144)**	(17,560)
Cash generated from operations	**921,643**	515,472

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows (Continued)

(b) Disposal of a subsidiary

During the year ended 31 December 2016, the Group disposed a subsidiary (the "Disposal").

In June 2016, certain new shareholders ("New Shareholders") contributed additional capital ("Capital Contribution") in Shanghai Phoenix Link Culture Development Co., Ltd ("Phoenix Link"), which was a non-wholly owned subsidiary of the Group. As a result, the Group's equity interest in Phoenix Link was reduced from 61.6% to 45% upon completion of the Capital Contribution. As a result of the Capital Contribution, the unilateral control of Phoenix Link by the Group was lost and only significant influence over Phoenix Link is retained.

Upon the loss of control of Phoenix Link, the Group recognised a gain of HK$49,344,000 in the consolidated income statement for the year ended 31 December 2016.

Summary regarding the Disposal completed during the year ended 31 December 2016 is as follows:

	2016 **$'000**
Total consideration satisfied by:	
Fair value of the retained interest	**53,379**
Net assets disposed of	**(4,035)**
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	**49,344**

Aggregate net cash outflows arising from the Disposals during the year ended 31 December 2016:

	2016 **$'000**
Bank balances and cash disposed of	**(4,719)**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows (Continued)

(b) Disposal of a subsidiary (Continued)

Summary regarding the disposal completed during the year ended 31 December 2015 is as follows:

	2015 $'000
Total consideration satisfied by:	
Cash received	5,470
Net assets disposed of	(10,864)
Release of exchange reserve upon disposal	5,813
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	419

Aggregate net cash outflows arising from the disposal during the year ended 31 December 2015:

	2015 $'000
Cash consideration received	5,470
Bank balances and cash disposed of	(10,486)
	(5,016)

40 Transactions with non-controlling interests

(a) Deemed disposal of partial interest in PNM and acquisition of additional interest in PNM

During the year ended 31 December 2016, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 55.61% to 55.45%. The Group recognised a deemed net loss of approximately HK$2,233,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$7,775,000 for the year ended 31 December 2016.

During the year ended 31 December 2015, as a result of the vesting of restricted share units, the exercise of share options by the option holders and the repurchase of American Depositary Shares, the Group's equity interest in PNM was increased from 54.75% to 55.61%. The Group recognised a deemed net loss of approximately HK$13,065,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$49,492,000 for the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

40 Transactions with non-controlling interests (Continued)

(b) Acquisition of additional equity interests in Phoenix Oriental (Beijing) Properties Company Limited

On 19 August 2015, Phoenix Pictures Limited ("Phoenix Pictures") entered into: (i) an equity transfer agreement with non-controlling shareholders of Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"), in relation to the acquisition of additional 20% equity interests in Phoenix Oriental for a cash consideration of RMB145,735,000 (equivalent to approximately HK$175,071,000) with reference to the appraised value of the Phoenix International Media Centre (the "Acquisition") and (ii) a shareholders' loan agreement with Phoenix Oriental solely for the purposes of repaying, on a pro-rate basis, the shareholders' loans which had previously been advanced to Phoenix Oriental by the non-controlling shareholders (the "Shareholder's' loans). Upon completion of the Acquisition on 23 December 2015, Phoenix Pictures increased its equity interest in Phoenix Oriental from 50% to 70%. The Shareholders' loan have not been repaid as at 31 December 2015 and a balance of HK$77,474,000 has been included in "Other long-term liabilities". The Shareholders' loans were subsequently repaid on 13 January 2016.

The Group recognised a decrease in non-controlling interests of HK$127,879,000 and a decrease in equity attributable to owners of the Company of HK$47,192,000. The effect of changes in the ownership interest of Phoenix Oriental on the equity attributable to owners of the Company during the year is summarized as follows:

	2015 $'000
Carrying amount of non-controlling interests acquired	127,879
Consideration paid to non-controlling interests	(175,071)
Excess of consideration paid recognised within equity	(47,192)

41 Commitments

(a) Service charges

As at 31 December 2016, the Group had committed service charges payable under various agreements as follows:

	2016 **$'000**	2015 $'000
Not later than one year	**20,246**	19,568
Later than one year and not later than five years	**51,467**	71,646
	71,713	91,214

41 Commitments (Continued)

(b) Operating leases

As at 31 December 2016, the Group had rental commitments under various operating leases. Total future minimum lease payments payable in respect of land and buildings and LED panels under non-cancellable operating leases are as follows:

	2016	2015
	$'000	$'000
Not later than one year	**280,655**	174,566
Later than one year and not later than five years	**427,288**	360,649
Later than five years	**117,914**	95,758
	825,857	630,973

(c) Capital commitments

As at 31 December 2016, the Group had capital commitments as follows:

	2016	2015
	$'000	$'000
Contracted but not provided for	**5,626**	16,386

(d) Other commitments

As at 31 December 2016, the Group had other operating commitments under various agreements as follows:

	2016	2015
	$'000	$'000
Not later than one year	**150,097**	80,790
Later than one year and not later than five years	**57,882**	39,950
	207,979	120,740

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

42 Related party transactions

(i) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

	Note(s)	**2016 $'000**	2015 $'000
Service charges received/receivable from the China Mobile Communication Corporation ("CMCC") and its subsidiaries (collectively "CMCC Group")	a, b	**106,821**	199,842
Service charges paid/payable to the CMCC Group	a, c	**27,360**	57,521
Advertising sales to the CMCC Group	a, d	**39,647**	42,845
License fee received/receivable from LLT	e, f	**202**	3,822
Advertising sales to LLT	e, g	**49,979**	29,858
Rental charge received from LLT	e, h	**–**	121
Key management compensation	iii	**38,352**	45,116

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.66% of the issued share capital of the Company.

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

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

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

(e) The controlling shareholder of LLT is a close family member of the Chairman of the Board and the Chief Executive Officer of the Company.

(f) The license fee received/receivable from LLT related to grant of license of domain name to LLT is charged based on terms specified in the agreement.

(g) Advertising sales to LLT are related to airtime advertising and programme sponsoring on channels and internet advertising sales based on terms specified in the agreements.

(h) The rental charge received from LLT related to rental on part of the exhibition area used by PNM.

42 Related party transactions (Continued)

(ii) Year end balances arising from related party transactions as disclosed in Note 42(i) above were also disclosed in Note 25.

(iii) Key management compensation

	2016 **$'000**	2015 $'000
Salaries	**22,534**	22,882
Discretionary bonuses	**667**	1,142
Housing allowance	**7,615**	7,500
Pension costs	**1,730**	1,745
Share-based compensation expense	**5,806**	11,847
	38,352	45,116

43 Investments in and loans to Particle

In 2014, PNM invested in a number of Series B Preferred Shares of Particle. In 2015, PNM further invested approximately HK$496,989,000 in Series C Preferred Shares of Particle.

On 28 January 2016, the board of directors of PNM have authorised to provide short-term unsecured loans to Particle in an aggregate principal amount of up to US$20 million (approximately HK$155,138,000) (the "Loans") at an interest rate of 4.35% per annum with a term of twelve months and convertible options of which PNM may, at its option, convert all or a portion of the Loans together with any unpaid interest into Series D1 Preferred Shares ("Conversion Options", such derivative components were accounted for as "derivative financial instruments") at any time prior to 31 December 2016, subject to the completion of issuance of Series D Preferred Shares by Particle. Particle has drawn down all of the US$20 million loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20 million into 23.6 million of Series D1 Preferred Shares. Similar to Series B and C, the investment in D1 Preferred Shares have similar features and were separated into the debt component of HK$122,744,000 which were classified as "available-for-sale financial assets" ("AFS") and "derivative financial instruments" ("DFI") of HK$38,171,000 (for the Conversion Option). The investments in AFS and DFI were subsequently measured at fair value at each reporting period based on an external valuation report. Under HKAS 39, changes in fair value of the DFI are recognised in the consolidated income statement whereas all changes in fair value of AFS are recognised directly in other comprehensive income except for the interest portion of the AFS calculated using the effective interest method which is recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

43 Investments in and loans to Particle (Continued)

On 11 August 2016, PNM provided a short-term unsecured loan to Particle of US$14.8 million (approximately HK$114,802,000) (the "Convertible Loan") at an interest rate of 4.35% per annum with a term of six months and Conversion Options exercisable at any time on or before the maturity date of the Convertible Loan. The Convertible Loan represents compound financial instruments, which comprise (i) "loans and receivable" of HK$109,372,000 classified as "amounts due from related companies" and (ii) DFI of HK$5,430,000. The "loans and receivable" were carried at amortised cost and the DFI was subsequently measured at fair value at each reporting period.

On 2 November 2016, PNM also provided a short-term unsecured loan to Particle of RMB46.0 million (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months.

During the year ended 31 December 2016, the Group recognised interest income of HK$20,588,000 from the loans to Particle.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Balance sheet and reserve movement of the Company

	2016 $'000	2015 $'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**117,072**	117,072
Current assets		
Cash and cash equivalents	**15,218**	271
Amount due from a subsidiary, net	**1,923,769**	1,923,769
	1,938,987	1,924,040
Total assets	**2,056,059**	2,041,112
EQUITY		
Equity attributable to owner of the Company		
Share capital	**500,100**	500,099
Reserves (Note (a))	**1,107,228**	1,165,925
Total equity	**1,607,328**	1,666,024
LIABILITIES		
Current liabilities		
Other payables and accruals	**600**	588
Amount due to a subsidiary	**448,131**	374,500
Total liabilities	**448,731**	375,088
Total equity and liabilities	**2,056,059**	2,041,112

LIU Changle
Director

CHUI Keung
Director

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Balance sheet and reserve movement of the Company (Continued)

Note (a)

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

	Treasury share reserve $'000	Share premium $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Total $'000
At 31 December 2014	–	38,973	109,622	213,266	361,861
Exercise of share options	–	8,454	(2,213)	–	6,241
Lapse of share options	–	2,192	(2,192)	–	–
Profit for the year	–	–	–	996,524	996,524
Dividends related to 2014	–	–	–	(200,040)	(200,040)
Share-based compensation expenses	–	–	1,339	–	1,339
At 31 December 2015	**–**	**49,619**	**106,556**	**1,009,750**	**1,165,925**
Exercise of share options	**–**	**10**	**(2)**	**–**	**8**
Lapse of share options	**–**	**2,047**	**(2,047)**	**–**	**–**
Buy back shares	**(5,042)**	**(18)**	**–**	**–**	**(5,060)**
Loss for the year	**–**	**–**	**–**	**(3,635)**	**(3,635)**
Dividends related to 2015	**–**	**–**	**–**	**(50,010)**	**(50,010)**
At 31 December 2016	**(5,042)**	**51,658**	**104,507**	**956,105**	**1,107,228**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

45 Benefits and interest of directors

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2016 is set out below:

		As director (note (i))							
	Name of Director	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Housing allowance	Employer contribution to a retirement benefit scheme	As management (note (ii))	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,444	9,444
2.	CHUI Keung	–	–	–	–	–	–	4,499	4,499
3.	WANG Ji Yan	–	–	–	–	–	–	3,849	3,849
4.	SHA Yuejia	–	–	–	–	–	–	–	–
5.	LO Ka Shui (resigned on 1 August 2016)	145	–	–	–	–	–	–	145
6.	GAO Nianshu (resigned on 19 August 2016)	–	–	–	–	–	–	–	–
7.	GONG Jianzhong	–	–	–	–	–	–	–	–
8.	LEUNG Hok Lim	250	–		–	–	–	–	250
9.	Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
10.	FANG Fenglei	250	–	–	–	–	–	–	250
11.	SUN Yanjun	–	–	–	–	–	–	–	–
12.	LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–
13.	HE Di (appointed on 20 August 2016)	92	–	–	–	–	–	–	92
14.	XIA Bing (appointed on 20 August 2016)	–	–	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

45 Benefits and interest of directors (Continued)

Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2015 is set out below:

		As director (note (i))							
	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Estimated money value of other benefits $'000	Housing allowance $'000	Employer contribution to a retirement benefit scheme $'000	As management (note (ii)) $'000	Total $'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,645	9,645
2.	CHUI Keung	–	–	–	–	–	–	4,634	4,634
3.	WANG Ji Yan	–	–	–	–	–	–	3,971	3,971
4.	SHA Yuejia	–	–	–	–	–	–	–	–
5.	LO Ka Shui	250	–	–	–	–	–	–	250
6.	GAO Nianshu	–	–	–	–	–	–	–	–
7.	GONG Jianzhong	–	–	–	–	–	–	–	–
8.	LEUNG Hok Lim	250	–	–	–	–	–	–	250
9.	Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
10.	FANG Fenglei	250	–	–	–	–	–	–	250
11.	SUN Yanjun	–	–	–	–	–	–	–	–
12.	LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

45 Benefits and interest of directors (Continued)

As of 31 December 2016, Mr. LIU Changle had outstanding share options of the Company to purchase 4,900,000 (2015: 4,900,000) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options of the Company to purchase 3,900,000 (2015: 3,900,000) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options of the Company to purchase 3,900,000 (2015: 3,900,000) shares at HK$2.92 per share. No options were exercised during 2015.

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes, housing allowance and value of the share option. The value of the share options granted to the directors of the Company under the share option schemes of the Company represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iii) No director waived or agreed to waive any emoluments during the year.

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

46 Subsequent event

On 2 November 2016, PNM's board of directors authorized to grant new unsecured term loans to Particle on or before 15 January 2017 with an aggregate principal amount of RMB120 million or USD equivalent at an interest rate of 9% per annum with a term of no more than six months. PNM granted RMB46 million loan to Particle on 2 November 2016. Subsequent to the year ended 31 December 2016, PNM and Particle signed an amendment to the loan agreements of the US$14.8 million loan and the RMB46 million loan, which have already been provided on 11 August 2016 and 2 November 2016 respectively, to extend the loan period from 6 months to 12 months. PNM has further granted RMB74 million loan to Particle on 20 January 2017 at an interest rate of 9% per annum and with a term of no more than 12 months.

Financial Summary

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

Consolidated results

	Year ended 31 December 2016 $'000	Year ended 31 December 2015 $'000	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000	Year ended 31 December 2012 $'000
Revenue	**3,798,273**	4,200,895	4,618,365	4,806,458	4,336,360
Operating expenses	**(2,678,183)**	(2,973,897)	(2,918,222)	(2,849,913)	(2,589,236)
Selling, general and administrative expenses	**(938,960)**	(912,528)	(798,362)	(695,029)	(649,063)
Other gains/(losses) and share of results of joint ventures and associates	**298,693**	(22,763)	260,001	194,903	97,280
Profit before income tax and non-controlling interests	**479,823**	291,707	1,161,782	1,456,419	1,195,341
Income tax expense	**(81,809)**	(139,876)	(251,322)	(293,391)	(248,056)
Profit before non-controlling interests	**398,014**	151,831	910,460	1,163,028	947,285
Non-controlling interests	**(167,499)**	(41,482)	(246,750)	(230,634)	(113,918)
Profit attributable to owners of the Company	**230,515**	110,349	663,710	932,394	833,367

Consolidated assets and liabilities

	As at 31 December				
	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Total assets	**9,268,474**	9,561,818	9,540,824	8,408,098	7,201,688
Total liabilities	**(2,639,699)**	(3,017,450)	(2,570,074)	(1,869,557)	(1,576,472)
Non-controlling interests	**(1,603,304)**	(1,530,008)	(1,723,634)	(1,591,384)	(1,390,074)
Equity attributable to owners to the Company	**5,025,471**	5,014,360	5,247,116	4,947,157	4,235,142

PHOENIX
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