Management Discussion and Analysis

COMMENTS ON SEGMENTAL INFORMATION

	Year ended 31 December			
	2013		2012	
	Revenue HK$'000	**Segment result HK$'000**	Revenue HK$'000	Segment result HK$'000
Television broadcasting	**2,373,975**	**1,175,548**	2,373,509	1,239,016
New media	**1,751,100**	**392,946**	1,382,433	143,911
Outdoor media	**612,823**	**98,689**	512,362	110,854
Real estate	**1,157**	**89,977**	929	28,583
Other businesses	**67,403**	**(36,022)**	67,127	(27,862)
Group's total revenue and segment results	**4,806,458**	**1,721,138**	4,336,360	1,494,502
Unallocated income		**31,753**		17,770
Unallocated expenses		**(302,790)**		(320,590)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**1,450,101**		1,191,682

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 49.4% of the total revenue of the Group for the year ended 31 December 2013, was approximately HK$2,373,975,000 (year ended 31 December 2012: HK$2,373,509,000). The segmental result for television broadcasting recorded a profit of approximately HK$1,175,548,000 for the year ended 31 December 2013 (year ended 31 December 2012: HK$1,239,016,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 45.9% of the total revenue of the Group for the year ended 31 December 2013, was approximately HK$2,207,217,000 (year ended 31 December 2012: HK$2,177,873,000).

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 14.8% as compared to the previous year to approximately HK$166,758,000 (year ended 31 December 2012: HK$195,636,000).

The new media operations, which make Phoenix programming available on the Internet and on a number of mobile telecommunication networks, contributed to raising the profile of the Group as a television broadcaster. The revenue of the new media business for the year ended 31 December 2013 increased by 26.7% to HK$1,751,100,000 (year ended 31 December 2012: HK$1,382,433,000). The segmental profit was HK$392,946,000 (year ended 31 December 2012: HK$143,911,000). Phoenix New Media has been continuously investing in content, staff and marketing to further strengthen the vertical channels of ifeng.com, in order to further drive traffic growth, particularly increasing user loyalty, growing the number of daily unique visitors and diversifying the brand's image.

The revenue of the outdoor media business increased by 19.6% to approximately HK$612,823,000 (year ended 31 December 2012: HK$512,362,000). The segmental profit of outdoor media business decreased to approximately HK$98,689,000 (year ended 31 December 2012: HK$110,854,000). It was primarily due to the increase in operating costs for the expansion of business.

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The segmental result for real estate included the fair value gains of approximately HK$104,294,000 (year ended 31 December 2012: HK$43,807,000) which were recognised for the investment properties.

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

DIVIDENDS

After considering the sustainable profitability of the Group's core television broadcasting business, the board of directors (the "Directors" or the "Board") recommend the payment of a final dividend of 5.1 Hong Kong cents per ordinary share of the Company ("Share") (final dividend for 2012 of 5.1 Hong Kong cents), totalling approximately HK$254,857,000 to be payable to shareholders whose names appear on the register of members of the Company on 13 June 2014, Friday. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 27 June 2014, Friday.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 5 June 2014, Thursday at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 June 2014, Tuesday to 5 June 2014, Thursday (both dates inclusive), during which period no Share transfers will be effected. In order to qualify for attending and voting at the AGM, all Share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 30 May 2014, Friday.

The register of members of the Company will be also closed from 12 June 2014, Thursday to 13 June 2014, Friday (both dates inclusive), during which period no Share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all Share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 11 June 2014, Wednesday.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2013 remained solid as recurring cash flows from the businesses of the Group continued to remain steady and strong. As at 31 December 2013, the Group had cash and cash deposits totalling about HK$3,662,582,000 (as at 31 December 2012: HK$3,113,751,000). The aggregate outstanding borrowings of the Group were approximately HK$745,227,000 (as at 31 December 2012: HK$631,352,000), representing amounts due to related companies which were unsecured and non-interest bearing, unsecured and non-interest bearing loans from non-controlling shareholders of a subsidiary and secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 37.8% as at 31 December 2013 (as at 31 December 2012: 37.2%). The net cash and bank deposits balance after deduction of the total liabilities was HK$1,793,025,000 as at 31 December 2013 (as at 31 December 2012: HK$1,537,279,000).

Save as disclosed above, the financial position of the Group remained liquid. As most of the monetary assets of the Group are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and New Taiwan dollars, the exchange rate risks of the Group are considered to be minimal.

CHARGE ON ASSETS

As at 31 December 2013, the land in Chaoyang Park, Beijing, together with the development site, with carrying value of approximately HK$125,000,000, HK$415,000,000 and HK$1,163,000,000 (as at 31 December 2012: HK$116,000,000, HK$315,000,000 and HK$889,000,000) recorded in lease premium for land, construction in progress and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2013 and 31 December 2012.

CAPITAL STRUCTURE

During the year ended 31 December 2013, other than the exercise of share options granted, there was no change in the share capital of the Company. As at 31 December 2013, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of a subsidiary and banking facilities.

STAFF

As at 31 December 2013, the Group employed 3,033 full-time staff (as at 31 December 2012: 2,799) at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2013 increased to approximately HK$1,136,789,000 (year ended 31 December 2012: HK$961,970,000).

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

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SIGNIFICANT INVESTMENTS HELD

As at 31 December 2013, the Group invested in listed security investments with an estimated fair market value of approximately HK$25,689,000 (as at 31 December 2012: HK$24,819,000). Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Company has been approved by the Stock Exchange of Hong Kong Limited ("Stock Exchange") to proceed with the proposed spin-off of Phoenix Metropolis Media Technology Company Limited ("PMM Beijing"), a subsidiary engaged in the outdoor media business in China, for listing on the main board of the Shanghai Stock Exchange.

PMM Beijing's application for the proposed listing has been formally accepted by the China Securities Regulatory Commission on 19 April 2013 with the issuance of an Acceptance Notice of Administrative Approval Application. For details, please refer to the announcement of the Company published on 19 April 2013.

The Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing businesses. As at 31 December 2013, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any Shares during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the year ended 31 December 2013.