

CORPORATE GOVERNANCE REPORT

Phoenix Media Investment (Holdings) Limited (the “**Company**”) is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company (the “**Shareholders**”) and devotes considerable effort to identify and formalise best practices.

Corporate Governance Practices

The Company has adopted its own code on corporate governance (“**Company CG Code**”) 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 on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) – all with the objective of taking forward a corporate governance structure which builds on the Company’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 of directors of the Company (the “**Board**” or “**Directors**”) in monitoring and advising on the effectiveness of the Company and its subsidiaries’ (the “**Group**”) governance, risk management and internal control processes. The risk management committee of the Company (“**Risk Management Committee**”) had monitored 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 2017, 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.

CORPORATE GOVERNANCE REPORT

(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 (the “**Articles of Association**”), at each annual general meeting (“**AGM**”) 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.

(3) Effective Communications

Code Provision

Under code provision E.1.2, the chairman of the Board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Deviation and its Reason

The chairman of the Board, Mr. LIU Changle was absent from the AGM held on 6 June 2017 due to conflicting business schedule, and he had invited Mr. CHUI Keung, executive director and the chairman of the Risk Management Committee of the Company, to chair the AGM on his behalf. Mr. LIU had also invited Mr. Thaddeus Thomas BECZAK, the chairman of the audit and nomination committees of the Company (“**Audit Committee**” and “**Nomination Committee**”) to attend the AGM.

CORPORATE GOVERNANCE REPORT

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 have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2017.

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.

Composition

As at 31 December 2017 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 2017, 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 36 to 41 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.

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

Board meetings and general meetings

The Board meets at least four times a year to review the financial and operating performance of the Group. The Company held four Board meetings (“**BM**s”), one AGM and one extraordinary general meeting (“**EGM**”) in the financial year ended 31 December 2017.

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
<i>Executive Directors</i>			
Mr. LIU Changle (Chairman and CEO)	4/4	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
<i>Non-executive Directors</i>			
Mr. SHA Yuejia	1/4	0/1	0/1
Mr. GONG Jianzhong	1/4	0/1	0/1
Mr. SUN Yanjun	4/4	1/1	0/1
Mr. XIA Bing	1/4	0/1	0/1
<i>Independent non-executive Directors</i>			
Mr. LEUNG Hok Lim	4/4	1/1	1/1
Mr. Thaddeus Thomas BECZAK	4/4	1/1	1/1
Mr. FANG Fenglei	4/4	0/1	0/1
Mr. HE Di	3/4	0/1	1/1
<i>Alternate Director</i>			
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 2017, 17 May 2017, 15 August 2017 and 17 November 2017, 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.

CORPORATE GOVERNANCE REPORT

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 Morrison & Foerster to provide an in-house training for Directors on the topic of "Directors' Duties and the Listing Rules Relevant to Their Duties".

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
<i>Executive Directors</i>			
Mr. LIU Changle (Chairman and CEO)	–	√	√
Mr. CHUI Keung (Deputy CEO)	–	√	√
Mr. WANG Ji Yan	–	√	√
<i>Non-executive Directors</i>			
Mr. SHA Yuejia	–	√	–
Mr. GONG Jianzhong	–	√	√
Mr. SUN Yanjun	–	√	√
Mr. XIA Bing	–	√	–
<i>Independent non-executive Directors</i>			
Mr. LEUNG Hok Lim	√	√	√
Mr. Thaddeus Thomas BECZAK	√	√	–
Mr. FANG Finglei	–	√	√
Mr. HE Di	–	√	√
<i>Alternate Director</i>			
Mr. LAU Wai Kei, Ricky	–	√	–

Remarks

√ = attend

CORPORATE GOVERNANCE REPORT

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 Company 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 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.

CORPORATE GOVERNANCE REPORT

Board Committees

Audit Committee

The Company has established 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 14 March 2017 and 15 August 2017, respectively. Details of the attendance record of the Audit Committee meetings are as follows:

Name of Directors	Attended/Eligible to attend
<i>Independent non-executive Directors</i>	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
<i>Non-executive Director</i>	
Mr. GONG Jianzhong	0/2

The Audit Committee reviewed the Group's interim and annual results in year 2017 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.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

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.

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 one meeting on 17 March 2017. Details of the attendance record of the Remuneration Committee meeting are as follows:

Name of Directors	Attended/Eligible to attend
<i>Independent non-executive Directors</i>	
Mr. Thaddeus Thomas BECZAK	1/1
Mr. LEUNG Hok Lim	1/1
<i>Non-executive Director</i>	
Mr. XIA Bing	0/1

During the year under review, the Remuneration Committee had recommended the directors’ fees of the independent non-executive Directors, to the Board for approval, reviewed and recommended to the Board bonus payments for year 2017 and the increment in salary for year 2018 and had considered and approved the grant of new options under the 2017 share option scheme.

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 2017, 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 44 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Nomination Committee

The Company established 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 assess 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 one meeting on 17 March 2017. Details of the attendance record of the Nomination Committee meeting are as follows:

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

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 9 years, and had recommended to the Board the retiring Directors standing for re-election at the AGM held on 6 June 2017.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Risk Management Committee

The Company established 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 2017.

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.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Risk Management Committee (Continued)

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.

During the year under review, the Risk Management Committee held one meeting on 14 March 2017. Details of the attendance record of the Risk Management Committee meetings are as follows:

Name of Directors/Senior Management	Attended/Eligible to attend
<i>Executive Director</i>	
Mr. CHUI Keung (Chairman)	0/1
<i>Independent non-executive Directors</i>	
Mr. Thaddeus Thomas BECZAK	1/1
Mr. LEUNG Hok Lim	1/1
<i>Non-executive Director</i>	
Mr. GONG Jianzhong	0/1
<i>Senior Management</i>	
Mr. YEUNG Ka Keung	1/1
Mr. HE Daguang	1/1
Mr. SHI Ningning (resigned on 16 January 2018)	1/1

During the year under review, the Risk Management Committee had discussed the foreign exchange risk regarding to Renminbi and Pound Sterling on the performance of the Group, impact of tightened funds repatriation out of China on the Group, the cyber security and hacking risk 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.

CORPORATE GOVERNANCE 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 systems 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 and 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 that the Group has established and maintained appropriate and effective risk management and internal control systems and to review the effectiveness of the systems at least once annually. 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 misstatements or losses. 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 and issued a "Group Risk Management Policy" which sets forth the risk management principles, approach and procedures of the Group and is formally communicated to all executives within the Group.

The management is fully aware of its responsibilities for the design and implementation of robust risk management and internal control systems across the Group, and the responsibility to continuously monitor such 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 management culture in the Group and continuously manages risks in daily business and operation. The management stays alert to emerging risks and uncertainties arising from economic, political, market or social changes, collects and analyzes market intelligence and data which may adversely impact the Group's 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 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, at the corporate level, as an important line of defense, the management together with headquarters Finance, Legal and Business Development functions together work as a risk management team to identify and manage major risks in their day-to-day collaboration and act as gatekeepers against strategic, financial, operational, regulatory and compliance risks in the Group's business development process and daily operation. Risk information is shared transparently between management and headquarters functions.

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 standard periodic operational and financial reporting mechanisms which strictly request 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..

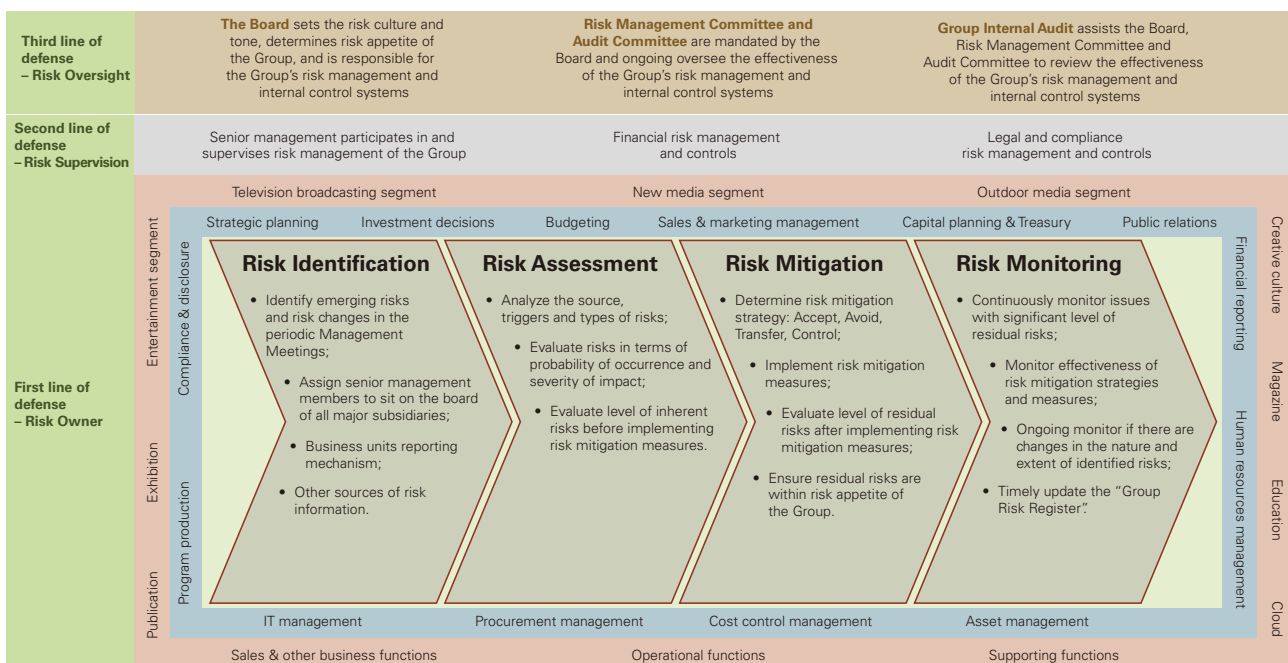
CORPORATE GOVERNANCE REPORT

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 to timely manage risks by appropriate risk responses and 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



CORPORATE GOVERNANCE REPORT

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 material weaknesses and significant deficiencies 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 48 and pages 51 to 52 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 qualifications 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, covering major processes, activities and changes which are quantitatively or qualitatively significant to the Group. Internal Audit identifies and evaluates key risks which affect the achievement of business objectives, and then review if the management has implemented appropriate and effective risk mitigation strategies and control measures in response to the risks. Internal Audit provides practical and value added recommendations on the identified internal control weaknesses and deficiencies, among which the significant issues and irregularities 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 2017, 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 effectiveness to respond to such changes. Besides, the Directors reviewed the scope and quality of the management's ongoing monitoring of the risk management 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 control systems.

As a conclusion, in respect of the year ended 31 December 2017, the Board, with written confirmation from the management, considered the Group's risk management and internal control systems as adequate and effective. The management's confirmation was endorsed by the Company's Risk Management Committee. 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 that they are adequate.

CORPORATE GOVERNANCE REPORT

External Auditor

PricewaterhouseCoopers (“**PwC**”) has been appointed as the external auditor of the Company by Shareholders at the AGM held on 6 June 2017. The remuneration in respect of services provided by PwC for the Group is analysed as follows:

	31 December 2017 HK\$	31 December 2016 HK\$
Audit Service	13,930,000	13,512,000
Non-audit Service	177,000	550,000
Tax Service	874,000	1,186,000
Total	14,981,000	15,248,000

Company Secretary

Mr. YEUNG Ka Keung has been appointed as the Company Secretary of the Company (“**Company Secretary**”) 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 2017 financial year.

Articles of Association

The Company did not amend its 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 Company Secretary, 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 retiring at the meeting shall, unless recommended by the Board 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 AGM 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 AGM appointed for such election and end no later than seven (7) days prior to the date of such AGM.

CORPORATE GOVERNANCE REPORT

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 AGM.

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 Board 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 Board will review the "Shareholders' Communication Policy" 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, interim 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

16 March 2018