

Management Discussion and Analysis


Comments on Segmental Information

	Year ended 31 December			
	2010		2009	
	Revenue HK\$'000	Segment results HK\$'000	Revenue HK\$'000	Segment results HK\$'000
Phoenix Chinese Channel	1,217,588	735,753	979,427	528,306
Phoenix InfoNews Channel	321,658	72,273	232,894	11,378
Other channels	139,937	29,755	108,711	(10,446)
New media	593,380	(125,776)	70,438	21,317
Outdoor media	268,210	55,585	72,066	(34,451)
Other businesses	57,541	20,536	56,112	38,987
Group's total revenue and segment results	2,598,314	788,126	1,519,648	555,091
Unallocated income		12,103		12,672
Unallocated expenses		(245,519)		(188,286)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		554,710		379,477

Revenues from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 64.6% of the Group's total revenue for the year ended 31 December 2010, increased by 27.1% to approximately HK\$1,679,183,000 (year ended 31 December 2009: HK\$1,321,032,000). The segmental result for television broadcasting recorded a profit of approximately HK\$837,781,000 for the year ended 31 December 2010 (year ended 31 December 2009: HK\$529,238,000).

The Group's flagship channel, Phoenix Chinese Channel, accounted for 46.9% of the Group's total revenue for the year ended 31 December 2010 and showed an increase of 24.3% to approximately HK\$1,217,588,000 (year ended 31 December 2009: HK\$979,427,000). Phoenix InfoNews Channel's revenue accounted for 12.4% of the Group's total revenue for the year, and increased by 38.1% to approximately HK\$321,658,000 (year ended 31 December 2009: HK\$232,894,000).

The total revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 28.7% as compared to the year ended 31 December 2009 to approximately HK\$139,937,000 (year ended 31 December 2009: HK\$108,711,000).



The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contribute to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year increased to HK\$593,380,000 (year ended 31 December 2009: HK\$70,438,000). The segmental loss of new media after deduction of interest accretion and changes in fair value of the preference share liability was HK\$125,776,000 (year ended 31 December 2009: profit HK\$21,317,000). The profit from operations, which represents profit before tax, interest expense and changes in fair value of preference share liability, of new media increased to HK\$84,888,000 (year ended 31 December 2009: HK\$25,098,000). The significant increase in new media operations was due to the expansion of business which included acquiring control over two mainland companies at the end of year 2009.

Following the maturity of the outdoor media business, the revenue and segmental profit increased to approximately HK\$268,210,000 and HK\$55,585,000 respectively (year ended 31 December 2009: Revenue HK\$72,066,000 and segmental loss HK\$34,451,000).

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

Dividend

The board ("Board") of directors of the Company (the "Directors") has decided to recommend a final dividend of 3.3 Hong Kong cents per ordinary share for the year ended 31 December 2010 (year ended 31 December 2009: 2 Hong Kong cents per ordinary share). Upon approval by the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 30 June 2011 to shareholders whose names appear on the register of members of the Company on 17 June 2011.

Annual General Meeting

The Annual General Meeting of the Company will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 17 June 2011 at 3:00 p.m.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 13 June 2011 to Friday, 17 June 2011, both dates inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 10 June 2011.

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2010.

Management Discussion and Analysis

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2010 remained solid. The aggregate outstanding borrowings of the Group as at 31 December 2010 were approximately HK\$664,478,000 (as at 31 December 2009: HK\$254,227,000), representing current accounts with related companies which were unsecured and non-interest bearing, secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing and preference share liability.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 62.0% as at 31 December 2010 (as at 31 December 2009: 35.9%). The net debt to equity ratio, based on total liabilities less cash and cash equivalents to equity attributable to owners of the Company, was 2.5% as at 31 December 2010 (as at 31 December 2009: 0.5%). The increase in the gearing ratio was a consequence of the increase in preference share liability, accounts payable, other payables and accruals and the secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

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

Charge on Assets

As at 31 December 2010, deposits of approximately HK\$3,146,000 (as at 31 December 2009: HK\$3,269,000) were pledged with banks to secure guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK\$115,000,000, HK\$92,000,000 and HK\$371,000,000 (as at 31 December 2009: HK\$93,000,000, HK\$26,000,000 and HK\$218,000,000) recorded in lease premium for the land, the construction in progress and the investment property under construction respectively were pledged with a bank to secure bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

Other than the above, the Group did not have any other charges on its assets as at 31 December 2010 and 31 December 2009.

Capital Structure

During the year ended 31 December 2010, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2010, the Group's operations were mainly financed by owners' equity and bank borrowings and banking facilities.

Staff

As at 31 December 2010, the Group employed 1,897 full-time staff (31 December 2009: 1,498), 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 2010 increased to approximately HK\$553,965,000 (year ended 31 December 2009: HK\$376,440,000).

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



Significant Investments Held

As at 31 December 2010 the Group invested in listed security investments with an estimated fair market value of approximately HK\$24,330,000 (as at 31 December 2009: HK\$53,824,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2010.

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.

As at 31 December 2010, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

Contingent Liabilities

Banking facilities amounting to approximately HK\$352,117,000 (as at 31 December 2009: HK\$536,779,000) represent utilities deposits and bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. Deposits of approximately HK\$3,146,000 (as at 31 December 2009: HK\$3,269,000) were pledged with banks to secure banking guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK\$115,000,000, HK\$92,000,000 and HK\$371,000,000 (as at 31 December 2009: HK\$93,000,000, HK\$26,000,000 and HK\$218,000,000) recorded in lease premium for land, construction in progress and investment property under construction respectively were pledged with a bank to secure a bank borrowing to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2010 and 31 December 2009.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.