

Corporate Governance Report

Phoenix Satellite Television Holdings Limited (the “Company”) is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company (“Shareholders”) and devotes considerable effort to identifying and formalising best practices.

Corporate Governance Practices

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

The Company has an in-house audit function to assist the board (the “Board”) of directors of the Company in monitoring and advising on the effectiveness of the Group’s governance, risk management and internal control process. The Board also monitored the progress on corporate governance practices 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.

Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2011, complied with the Code.

Distinctive Roles of Chairman and Chief Executive Officer Code Provisions

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. LIU Changle is both the chairman and chief executive officer of the Company since its incorporation. He is responsible for managing the Board and the businesses of the Company and its subsidiaries (collectively, the “Group”).

On 26 November 2008, Mr. LIU entered into a non-competition deed (the “Non-Competition Deed”) taking effect on 5 December 2008 in favour of the Company in order to manage any potential competing interest with the Group. Details were set out in the announcement of the Company dated 26 November 2008.

He has also unconditionally and irrevocably undertaken to the Company that he shall use his best endeavours to ensure that his associates and the respective employees of his associates (except for those within the Group) observe the restrictions and undertakings contained in the Non-Competition Deed.

The Board considers that Mr. LIU’s invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the audit committee, balance of power and authority can be ensured and there is no imminent need to change the arrangement.

Appointments, Re-election and Removal

Code Provisions

Under the Code, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a 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 term, should be subject to retirement by rotation at least once every three years.

Deviation and its Reasons

Apart from the two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The Board considers that there is no imminent need to amend the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the year ended 31 December 2011.

The Company has also adopted a code of conduct governing securities transactions by employees of the Group who may possess or have access to price sensitive information in relation to the Group or its securities.

Board of Directors

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company affairs.

The Board currently comprises three executive Directors, five non-executive Directors and three independent non-executive Directors. Their brief biographical details are described in 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 the annual confirmation of independence required by the Listing Rules.

The Board meets at least four times a year to review the financial and operating performance of the Group.

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Board of Directors (Continued)

There were four Board meetings held in the financial year ended 31 December 2011.

Individual attendance of each Board member at these meetings is as follows:

Name of Director	Attended/ Eligible to attend
<i>Executive Directors</i>	
Mr. LIU Changle (Chairman & CEO)	3/4
Mr. CHUI Keung	4/4
Mr. WANG Ji Yan	3/4
<i>Non-executive Directors</i>	
Mr. GAO Nianshu	3/4
Mr. SHA Yuejia	3/4
Mr. GONG Jianzhong	0/4
Mr. Jan KOEPPEN	1/4
Mr. CHEUNG Chun On, Daniel	4/4
<i>Independent Non-executive Directors</i>	
Dr. LO Ka Shui	4/4
Mr. LEUNG Hok Lim	4/4
Mr. Thaddeus Thomas BECZAK	3/4
<i>Alternate Director</i>	
Dr. GAO Jack Qunyao (alternate to CHEUNG Chun On, Daniel)	0/0
Ms. Ella Betsy WONG (alternate to Jan KOEPPEN)	2/2

During regular meetings held on 8 March, 26 May, 19 August and 17 November of year 2011 of the Board, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discussed the half-yearly and annual results, as well as discussed and decided on other significant matters.

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

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Board Committees

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory 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-yearly report and to provide advices and comments thereon to the Board. The audit committee meets at least twice a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters.

The audit committee currently comprises one non-executive Director, namely Mr. CHEUNG Chun On, Daniel and two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

The audit committee held two meetings in 2011. Details of the attendance record of the audit committee meetings are as follows:

Name of Director	Attended/ Eligible to attend
<i>Independent Non-executive Directors</i>	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Dr. LO Ka Shui (resigned on 14 March 2011)	1/1
Mr. LEUNG Hok Lim	2/2
<i>Non-executive Director</i>	
Mr. CHEUNG Chun On, Daniel	2/2

The audit committee reviewed the Group's annual results for the year ended 31 December 2011 with management and the Company's external auditors and recommended their adoption by the Board.

Remuneration Committee

The Company established the remuneration committee with written terms of reference in alignment with the mandatory provisions set out in the Code.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management staff of the Company.

The remuneration committee now comprises two non-executive Directors, namely Mr. GAO Nianshu and Mr. CHEUNG Chun On, Daniel and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

In 2011, the remuneration committee recommended to the Board the bonus payments for year 2011 and increment in salary and housing allowance (if any) for year 2012 for the executive Directors and staff by way of written resolutions passed by all the committee members.

Board Committees (Continued)

Ad Hoc Committee

The Company has adopted the terms of reference of the ad hoc committee to deal with ad hoc matters, which set out detailed directions as to the powers delegated to the ad hoc committee. Any two Directors shall form a quorum for the transaction of business.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group.

The Directors' responsibilities in the preparation of the financial statements and the independent auditor's responsibilities are set out in the Independent Auditor's Report.

Internal Control

The Board has overall responsibility for the establishment and maintenance of a sound and effective system of internal control for the Group to safeguard Shareholders' investment and the Group's assets.

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

The Internal Audit reports functionally to the audit committee on audit and control matters to preserve its independence. The Internal Audit Charter and the annual internal audit plan were duly approved by the Board. The Internal Audit evaluates the adequacy and effectiveness of the Group's system of internal control by adopting a risk-based audit approach, focusing on major processes and activities which are quantitatively or qualitatively significant to the Group. Internal Audit provides practical and value added recommendations on the identified control failings and weakness, among which the major audit issues would be timely escalated to senior management and the audit committee for assessment and rectifications.

In 2011, the Board, through the audit committee and with the assistance of the Internal Audit, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2011, covering all material operational, financial and compliance controls and risk management functions, and considers that the system of internal control is appropriately designed and effective.

The audit committee has also assessed in the aforementioned review the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's accounting and financial reporting function and considers that they are adequate.

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External Auditor

PricewaterhouseCoopers (“PwC”) has been appointed as the external auditor of the Company by Shareholders at the annual general meeting.

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

	31 December 2011 HK\$	31 December 2010 HK\$
Audit Service	8,667,000	3,224,000
Audit-related Service	6,622,000	–
Non-audit Service	140,000	20,000
Tax Service	345,000	138,000
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Total	15,774,000	3,382,000

Investor Relations

The Board puts a high regard on investor relationship in particular, fair disclosure and comprehensive and transparent reporting of the Group’s performance and activities.

Shareholders are encouraged to attend the annual general meeting of the Company (“AGM”) and the Directors always make efforts to fully address any questions raised by the Shareholders at the AGM.

The Company provides extensive information about the Company to the investors and potential investors through the Company’s website www.ifeng.com. Hard copies of the annual report, half-year report and quarterly report (if any) are sent to all the Shareholders, which are also available on the Company’s website and the professional investor relation website on www.irasia.com/listco/hk/phoenixtv.

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

15 March 2012