

Report of Directors

The directors (the "Directors") submit their report together with the audited consolidated financial statements of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

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 20 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 83.

The Directors recommend the payment of a final dividend of 4.2 Hong Kong cents per ordinary share, totaling approximately HK\$209,705,000 to be payable to shareholders whose names appear on the register of members of the Company on 15 June 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting ("AGM"), the final dividend will be payable on or around 25 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 4 June 2012 to Friday, 8 June 2012 (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 Friday, 1 June 2012.

The register of members of the Company will be also closed from Thursday, 14 June 2012 to Friday, 15 June 2012 (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 Wednesday, 13 June 2012.

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 34 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK\$38,000 (2010: HK\$70,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

Report of Directors

Investment Properties under Construction

Details of the movement in investment properties under construction of the Group during the year are set out in Note 16 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 2011, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$974,234,000 (2010: HK\$367,816,000).

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 162.

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.

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 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 Company, 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 9.88% 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 of the Company ("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 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 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 of Hong Kong Limited ("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.

Report of Directors

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:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options			
					Balance as at 1 January 2011	Lapsed during the year	Exercised during the year	Balance as at 31 December 2011
Nil	2001.02.15	2001.02.15 to 2005.02.14	2002.02.15 to 2011.02.14	1.99	500,000	(500,000)	–	–
Nil	2001.08.10	2001.08.10 to 2005.08.09	2002.08.10 to 2011.08.09	1.13	3,800,000	(1,350,000)	(2,450,000)	–
1 employee	2002.12.20	2002.12.20 to 2006.12.19	2003.12.20 to 2012.12.19	0.79	600,000	–	–	600,000
20 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	9,044,500	(66,500)	(2,508,000)	6,470,000
Total: 21 employees					13,944,500	(1,916,500)	(4,958,000)	7,070,000

During the year ended 31 December 2011, 4,958,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average market price was HK\$3.19.

During the year ended 31 December 2011, 1,916,500 options granted to 6 employees lapsed when they ceased employment with the Group.

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

During the year ended 31 December 2011, no option was granted to the Directors, chief executive 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.

Report of Directors

Share Option Schemes (Continued)

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

(2) Summary of New Share Option Scheme

On 19 June 2009, the Shareholders approved and adopted the New Share Option Scheme of the Company. The New Share Option Scheme is administered by a committee of four Directors (the "New 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 Company or any subsidiary, including any director of the Company or any subsidiary, 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 9.92% 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 New 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 share of the Company in issue.

Report of Directors

Share Option Schemes (Continued)

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

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

Time of exercise of option

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

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 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 New 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.

Report of Directors

Share Option Schemes (Continued)

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

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

The remaining life of the scheme

The New 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.

The details of share options granted by the Company under the New Share Option Scheme to the employees of the Group to acquire the shares of the Company were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK\$	Number of share options				Balance as at 31 December 2011
					Balance as at 1 January 2011	Granted during the year	Lapsed during the year	Exercised during the year	
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	5,044,000	-	-	(996,000)	4,048,000
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
574 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	-	92,120,000	(2,120,000)	-	90,000,000
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
					5,044,000	107,610,000	(2,120,000)	(996,000)	109,538,000

Notes:

- The fair value of options granted on 9 March 2011 and 28 June 2011 determined using the Black-Scholes model were HK\$114,639,000 and HK\$3,208,000 respectively. Total expenses recognised in the consolidated income statement for these share options granted to employees amounted to approximately HK\$47,875,000 for the year ended 31 December 2011.
- The following key assumptions were used to calculate the fair value of share options granted:

	March 2011	June 2011
Closing share price at grant date (HK\$)	2.92	3.06
Exercise price per share (HK\$)	2.92	3.06
Expected life of options (years)	5.5-7	5.5-7
Expected volatility (%)	38.82-41.26	39.52-43.22
Annual risk-free interest rate (%)	2.018-2.365	1.32-1.7

During the year ended 31 December 2011, 996,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average market price was HK\$4.33. Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executive or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the New Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the New Share Option Scheme.

Share Option Schemes (Continued)

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

(1) PHOENIXi Plan

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan").

Summary of PHOENIXi Plan

Purpose of the scheme

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, to provide additional incentive to its employees and executive directors and to promote the success of its business.

The participants of the scheme

The employees of PHOENIXi, including any executive directors, in the full-time employment of PHOENIXi (or the subsidiaries of PHOENIXi) or the Company are eligible to take up options to subscribe for shares in PHOENIXi. In addition, to be classified as an eligible person, where the employee is employed by a holding company of PHOENIXi or a subsidiary of PHOENIXi, the employee must perform an executive role for PHOENIXi.

The total number of securities available for issue

- (a) The total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi, must not in aggregate exceed 10% of the issued share capital of PHOENIXi as at the Listing Date unless approvals of the shareholders of the Company and PHOENIXi have been obtained pursuant to paragraphs (b) and (c) below.
- (b) PHOENIXi may seek approval by the shareholders of the Company and PHOENIXi in a general meeting to refresh the 10% limit. However, the total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi in these circumstances must not exceed 10% of the issued share capital of PHOENIXi at the date of approval of the refreshing of the limit.
- (c) PHOENIXi may seek separate approval of the shareholders of the Company and PHOENIXi in a general meeting to grant options beyond the 10% limit provided that (i) the total number of shares subject to the PHOENIXi Plan and any other schemes of PHOENIXi does not in aggregate exceed 30% of the total issued share capital of PHOENIXi and (ii) the options in excess of the 10% limit are granted only to participants specified by PHOENIXi before such approval is sought.

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 shares of PHOENIXi the subject of such option, when added to the number of shares already issued and/or issuable to him/her under the PHOENIXi Plan exceeding 25% of the aggregate number of shares of PHOENIXi in respect of which options are issuable under the PHOENIXi Plan.

Time of exercise of option

Generally, an option may be exercised at any time during a period of no more than ten years commencing from the date of grant. However, in the case of an Incentive Stock Option ("ISO") granted to a person, who at the time of the grant, owns shares in PHOENIXi representing more than 10% of the voting power of PHOENIXi, the Company or any subsidiary of the Company, the option period will be five years from the date of grant thereof.

Minimum holding period

As stated above, there is no minimum holding period for which an option can be exercised.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the offer date. Upon acceptance of the option, the option holder shall pay US\$1 to the Company as consideration of the grant.

Share Option Schemes (Continued)

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

(1) PHOENIXi Plan (Continued)

The basis of determining the exercise price

The price for the shares of PHOENIXi upon the exercise of an option under the PHOENIXi Plan will, in the case of:

- (a) an ISO or a Non-Qualified Stock Option ("NQS"), where the grantee owns more than 10% of the shares of the Company, PHOENIXi or its subsidiaries (each a "Related Entity"), be equal to not less than 110% of the Fair Market Value (as referred to below) per share of PHOENIXi on the date of the grant.
- (b) an ISO or a NQS, where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.
- (c) an option which is neither an ISO nor a NQS but where the grantee owns more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.
- (d) an option which is neither an ISO nor a NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

For the purpose of the above "Fair Market Value" means as of any date, the value of shares of the Company, PHOENIXi or any subsidiary of PHOENIXi (as the case may be) determined as follows:

- (i) where the shares of PHOENIXi are listed on any stock exchange, the Fair Market Value shall be no less than the higher of (a) the closing price for a share on the date of the grant of an option which must be a business day, or (b) the average closing price of the share for the five business days immediately preceding the date of grant (the closing price shall be the price on the stock exchange on which the shares of PHOENIXi are listed) or (c) the nominal value of a share; or
- (ii) in the absence of an established market for the shares of the type described in (i) above, the Fair Market Value thereof shall be determined by the committee in good faith on a fair and reasonable basis but in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations but in any event must in no circumstances be less than the latest audited net tangible assets per share of PHOENIXi unless none of the directors or their associates of PHOENIXi or the Company participate in the PHOENIXi Plan, in which event, reference does not need to be made to the latest audited net tangible asset per share of PHOENIXi for the purpose of determining the Fair Market Value of the shares.

The remaining life of the scheme

The 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.

During the year ended 31 December 2011, no options had been granted under the PHOENIXi Plan. PHOENIXi completed its liquidation process on 21 December 2011.

Share Option Schemes (Continued)

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

(2) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme ("PNM Share Option Scheme") of Phoenix New Media Limited ("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 for so long as PNM remains a subsidiary of the Company, subject also to the Listing Rules, 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 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 shares of PNM in issue ("PNM Shares") on 20 June 2008, being the effective date of PNM Share Option Scheme.

The maximum number of PNM Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PNM Share Option Scheme and any other share option schemes of PNM shall not exceed 30% of the PNM Shares in issue from time to time.

Shareholders' approval had been obtained on 20 June 2008 to grant an aggregate of 67,000,000 options, representing approximately 20.94% of the PNM Shares in issue, under the PNM Share Option Scheme.

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 5:00p.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.

Share Option Schemes (Continued)

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

(2) PNM Share Option Scheme (Continued)

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 2011, no options had been granted to eligible persons consisting of staff of Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), a wholly-owned subsidiary of PNM, under the PNM Share Option Scheme.

During the year ended 31 December 2011, 3,445,623 options granted to 39 employees were exercised at US\$0.03215 per share. At the date before the options were exercised, the weighted average market price was US\$0.73.

During the year ended 31 December 2011, 19,434,486 options granted to 56 employees lapsed and cancelled.

Details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US\$)	Balance as at 1 January 2011	Number of share options			Balance as at 31 December 2011
					Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	
Liu Shuang (Note)	2010.01.08	2010.09.15-2018.05.25	\$0.03215	2,178,000	-	(2,178,000)	-	-
Li Ya (Note)	2009.09.15	2010.09.15-2018.05.25	\$0.03215	2,117,500	-	(2,117,500)	-	-
Liu Kexin (Note)	2010.01.08	2010.09.15-2018.05.25	\$0.03215	825,000	-	(825,000)	-	-
Other staff of Fenghuang	2008.07.04	2008.07.04-2018.05.25	\$0.03215	13,837,500	-	(3,025)	(2,477,500)	11,356,975
On-line	2008.07.04	2008.07.09-2018.05.25	\$0.03215	6,000	-	-	-	6,000
	2008.07.04	2008.07.24-2018.05.25	\$0.03215	30,000	-	-	-	30,000
	2008.07.04	2008.07.31-2018.05.25	\$0.03215	1,200	-	-	-	1,200
	2008.07.04	2008.08.02-2018.05.25	\$0.03215	13,000	-	-	(13,000)	-
	2008.07.04	2008.08.13-2018.05.25	\$0.03215	6,000	-	-	-	6,000
	2008.07.04	2008.08.20-2018.05.25	\$0.03215	18,000	-	(375)	-	17,625
	2008.07.04	2008.08.28-2018.05.25	\$0.03215	3,375	-	-	-	3,375
	2008.07.04	2008.09.03-2018.05.25	\$0.03215	18,400	-	(3,400)	-	15,000
	2008.07.04	2008.09.04-2018.05.25	\$0.03215	32,000	-	-	-	32,000
	2008.07.04	2008.09.06-2018.05.25	\$0.03215	3,600	-	-	-	3,600
	2008.07.04	2008.09.10-2018.05.25	\$0.03215	450,000	-	(450,000)	-	-
	2008.07.04	2008.09.13-2018.05.25	\$0.03215	3,375	-	-	-	3,375
	2008.07.04	2008.09.17-2018.05.25	\$0.03215	39,000	-	-	-	39,000
	2008.07.04	2008.09.24-2018.05.25	\$0.03215	24,000	-	-	-	24,000
	2008.07.04	2008.09.27-2018.05.25	\$0.03215	6,000	-	-	(6,000)	-
	2008.07.04	2008.10.08-2018.05.25	\$0.03215	20,000	-	-	-	20,000
	2008.07.04	2008.10.10-2018.05.25	\$0.03215	6,000	-	(1,500)	-	4,500
	2008.07.04	2008.10.22-2018.05.25	\$0.03215	24,000	-	-	-	24,000
	2008.07.04	2008.10.23-2018.05.25	\$0.03215	12,750	-	(375)	-	12,375
	2008.07.04	2008.10.24-2018.05.25	\$0.03215	24,000	-	-	-	24,000
	2008.07.04	2008.10.29-2018.05.25	\$0.03215	6,000	-	-	(6,000)	-

Report of Directors

Share Option Schemes (Continued)

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

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US\$)	Balance as at 1 January 2011	Number of share options			Balance as at 31 December 2011
					Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	
Other staff of Fuanghuang	2008.07.04	2008.11.19-2018.05.25	\$0.03215	32,000	-	(2,000)	-	30,000
On-line	2008.07.04	2008.12.03-2018.05.25	\$0.03215	62,000	-	(40,000)	-	22,000
	2008.07.04	2008.12.12-2018.05.25	\$0.03215	6,000	-	-	-	6,000
	2008.07.04	2008.12.17-2018.05.25	\$0.03215	12,000	-	-	-	12,000
	2008.07.04	2008.12.24-2018.05.25	\$0.03215	3,750	-	-	-	3,750
	2008.07.04	2008.12.26-2018.05.25	\$0.03215	16,687	-	-	-	16,687
	2008.07.04	2008.12.29-2018.05.25	\$0.03215	150,000	-	-	-	150,000
	2008.07.04	2009.01.02-2018.05.25	\$0.03215	100,000	-	(12,500)	-	87,500
	2008.07.04	2009.01.15-2018.05.25	\$0.03215	620,000	-	(5,000)	(175,496)	439,504
	2008.07.04	2009.02.14-2018.05.25	\$0.03215	206,250	-	-	(112,000)	94,250
	2008.07.04	2009.02.15-2018.05.25	\$0.03215	24,000	-	(4,500)	-	19,500
	2008.07.04	2009.02.25-2018.05.25	\$0.03215	9,000	-	-	-	9,000
	2008.07.04	2009.02.26-2018.05.25	\$0.03215	9,375	-	-	-	9,375
	2008.07.04	2009.02.28-2018.05.25	\$0.03215	3,000	-	(375)	-	2,625
	2008.07.04	2009.03.03-2018.05.25	\$0.03215	3,375	-	-	-	3,375
	2008.07.04	2009.03.10-2018.05.25	\$0.03215	48,493	-	(750)	-	47,743
	2008.07.04	2009.03.17-2018.05.25	\$0.03215	15,600	-	(3,375)	-	12,225
	2008.07.04	2009.03.19-2018.05.25	\$0.03215	32,000	-	(4,000)	-	28,000
	2008.07.04	2009.03.21-2018.05.25	\$0.03215	15,000	-	-	(2,624)	12,376
	2008.07.04	2009.03.24-2018.05.25	\$0.03215	23,000	-	(375)	-	22,625
	2008.07.04	2009.03.25-2018.05.25	\$0.03215	20,000	-	(6,250)	-	13,750
	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	2009.04.02-2018.05.25	\$0.03215	3,000	-	-	-	3,000
	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	2009.04.14-2018.05.25	\$0.03215	1,650	-	(1,200)	-	450
	2008.07.04	2009.04.15-2018.05.25	\$0.03215	4,000	-	-	-	4,000
	2008.07.04	2009.04.21-2018.05.25	\$0.03215	1,200	-	-	-	1,200
	2008.07.04	2009.04.23-2018.05.25	\$0.03215	6,000	-	(1,125)	-	4,875
	2008.07.04	2009.04.28-2018.05.25	\$0.03215	6,000	-	-	-	6,000
	2008.07.04	2009.05.04-2018.05.25	\$0.03215	11,000	-	(3,438)	-	7,562
	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	22,688	-	(1,125)	-	21,563
	2008.07.04	2009.05.23-2018.05.25	\$0.03215	3,000	-	-	-	3,000
	2008.07.04	2009.05.26-2018.05.25	\$0.03215	405,587	-	(50,000)	(7,600)	347,987
	2008.11.26	2009.11.26-2018.05.25	\$0.03215	400,000	-	-	-	400,000
	2009.07.31	2009.07.31-2018.05.25	\$0.03215	148,000	-	(12,000)	(80,800)	55,200

Report of Directors

Share Option Schemes (Continued)

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

(2) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Type of remaining grantees	Date of grant	Exercise period	Exercise price per share (US\$)	Balance as at 1 January 2011	Number of share options			Balance as at 31 December 2011
					Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	
Other staff of Fenghuang	2009.07.31	2010.01.04-2018.05.25	\$0.03215	781,250	-	-	-	781,250
On-line	2009.07.31	2010.01.12-2018.05.25	\$0.03215	145,800	-	(145,800)	-	-
	2009.07.31	2010.02.09-2018.05.25	\$0.03215	900,000	-	(900,000)	-	-
	2009.07.31	2010.02.11-2018.05.25	\$0.03215	32,000	-	-	-	32,000
	2009.07.31	2010.02.13-2018.05.25	\$0.03215	32,000	-	-	-	32,000
	2009.07.31	2010.02.16-2018.05.25	\$0.03215	100,000	-	-	-	100,000
	2009.07.31	2010.03.06-2018.05.25	\$0.03215	145,800	-	(145,800)	-	-
	2009.07.31	2010.03.11-2018.05.25	\$0.03215	32,000	-	-	-	32,000
	2009.07.31	2010.03.16-2018.05.25	\$0.03215	1,928,500	-	(1,912,500)	-	16,000
	2009.07.31	2010.03.17-2018.05.25	\$0.03215	32,000	-	-	-	32,000
	2009.07.31	2010.04.01-2018.05.25	\$0.03215	94,500	-	(35,438)	(59,062)	-
	2009.07.31	2010.04.07-2018.05.25	\$0.03215	14,000	-	(6,125)	(7,875)	-
	2009.07.31	2010.04.27-2018.05.25	\$0.03215	14,000	-	(8,750)	-	5,250
	2009.07.31	2010.05.08-2018.05.25	\$0.03215	70,000	-	(19,688)	-	50,312
	2009.07.31	2010.05.18-2018.05.25	\$0.03215	100,625	-	-	-	100,625
	2009.07.31	2010.05.25-2018.05.25	\$0.03215	35,000	-	(15,313)	-	19,687
	2009.07.31	2010.06.22-2018.05.25	\$0.03215	168,000	-	-	-	168,000
	2009.07.31	2010.07.01-2018.05.25	\$0.03215	24,000	-	(15,000)	-	9,000
	2009.07.31	2010.07.10-2018.05.25	\$0.03215	165,600	-	-	-	165,600
	2009.07.31	2010.07.15-2018.05.25	\$0.03215	402,500	-	-	-	402,500
	2009.07.31	2010.07.25-2018.05.25	\$0.03215	24,000	-	-	-	24,000
	2009.09.15	2010.09.15-2018.05.25	\$0.03215	4,036,400	-	(1,696,475)	(270,825)	2,069,100
	2010.01.08	2011.01.08-2018.05.25	\$0.03215	189,900	-	(53,438)	(32,062)	104,400
	2010.07.01	2008.03.05-2018.05.25	\$0.03215	175,000	-	-	-	175,000
	2010.07.01	2008.03.17-2018.05.25	\$0.03215	100,000	-	-	-	100,000
	2010.07.01	2008.06.18-2018.05.25	\$0.03215	3,100	-	(3,100)	-	-
	2010.07.01	2009.09.22-2018.05.25	\$0.03215	30,000	-	-	-	30,000
	2010.07.01	2010.06.22-2018.05.25	\$0.03215	10,000	-	-	-	10,000
	2010.07.01	2010.09.15-2018.05.25	\$0.03215	1,300,350	-	(1,274,350)	-	26,000
	2010.07.01	2010.10.09-2018.05.25	\$0.03215	10,000	-	-	(5,000)	5,000
	2010.07.01	2011.01.18-2018.05.25	\$0.03215	240,925	-	(135,521)	(105,404)	-
	2010.07.01	2011.02.20-2018.05.25	\$0.03215	40,000	-	(40,000)	-	-
	2010.07.01	2011.02.21-2018.05.25	\$0.03215	2,100,000	-	(1,800,000)	-	300,000
	2010.07.01	2011.06.07-2018.05.25	\$0.03215	150,000	-	-	(56,250)	93,750
	2010.07.01	2011.07.01-2018.05.25	\$0.03215	6,450,000	-	(5,500,000)	(28,125)	921,875
				42,221,805*	-	(19,434,486)	(3,445,623)*	19,341,696

* To cope with internal administrative arrangement, new shares were allotted on 12 January 2011 to the grantees who respectively exercised 8,800,000 on 1 July, 770,000 on 16 September and 31,581,800 options on 31 December during the year 2010.

Note: The options granted in excess of the individual limit were approved by the Shareholders on 20 June 2008.

On 15 March 2011, PNM cancelled 18,778,200 unvested share options granted under the PNM Share Option Scheme.

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme

On 15 March 2011, PNM adopted the restricted share unit and restricted share scheme (the “PNM March 2011 Scheme”), under which PNM may grant up to 29,059,158 restricted share units or restricted shares to the executives, employees or directors of PNM or its affiliates, provided that the number of restricted share units or restricted shares granted under the PNM March 2011 Scheme plus the number of share options granted and unvested under the PNM Share Option Scheme shall in no event exceed 96,000,000 shares.

On 17 March 2011, PNM granted 19,008,200 restricted shares and 10,050,958 restricted share units under the PNM March 2011 Scheme to its employees.

The particulars and movement of the restricted share units (“RSU”) granted under the PNM March 2011 Scheme during the year are as follows:

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			
			Granted during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2011
Employees	2011.03.17	2009.04.01	5,213,108	(3,238,947)	(148,126)	1,826,035
	2011.03.17	2009.04.02	1,500	(937)	-	563
	2011.03.17	2009.04.03	1,500	(937)	-	563
	2011.03.17	2009.04.07	6,000	(3,000)	(3,000)	-
	2011.03.17	2009.04.10	1,000	(625)	-	375
	2011.03.17	2009.04.13	21,000	(11,875)	(8,750)	375
	2011.03.17	2009.04.17	41,600	(26,000)	-	15,600
	2011.03.17	2009.04.23	10,000	(6,250)	-	3,750
	2011.03.17	2009.04.24	11,500	(7,187)	-	4,313
	2011.03.17	2009.04.27	1,500	(937)	-	563
	2011.03.17	2009.05.04	6,500	(3,875)	(750)	1,875
	2011.03.17	2009.05.07	1,500	(937)	-	563
	2011.03.17	2009.05.08	66,500	(41,375)	(750)	24,375
	2011.03.17	2009.05.11	500	(312)	(188)	-
	2011.03.17	2009.05.15	51,500	(32,187)	(18,750)	563
	2011.03.17	2009.05.21	8,675	(4,337)	(4,338)	-
	2011.03.17	2009.05.22	17,500	(9,500)	(5,750)	2,250
	2011.03.17	2009.06.01	1,000	(625)	-	375
	2011.03.17	2009.06.02	1,000	(625)	(375)	-
	2011.03.17	2009.06.15	500	(312)	-	188
	2011.03.17	2009.06.18	1,500	(750)	(750)	-
	2011.03.17	2009.06.21	8,000	(5,000)	-	3,000
	2011.03.17	2009.06.22	30,000	(18,750)	-	11,250
	2011.03.17	2009.06.26	6,000	(3,750)	-	2,250
	2011.03.17	2009.06.29	10,000	(6,250)	-	3,750
	2011.03.17	2009.07.02	30,500	(15,187)	(5,313)	10,000
	2011.03.17	2009.07.03	1,500	(750)	-	750
	2011.03.17	2009.07.06	21,000	(10,500)	(10,000)	500
	2011.03.17	2009.07.07	1,500	(750)	-	750

Report of Directors

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
Employees	2011.03.17	2009.07.08	1,500	(750)	(750)	–
	2011.03.17	2009.07.10	5,000	(2,500)	–	2,500
	2011.03.17	2009.07.16	10,500	(5,250)	–	5,250
	2011.03.17	2009.07.20	500	(250)	–	250
	2011.03.17	2009.07.21	1,500	(750)	–	750
	2011.03.17	2009.07.23	50,000	(25,000)	–	25,000
	2011.03.17	2009.07.24	20,000	(10,000)	–	10,000
	2011.03.17	2009.07.27	500	(250)	–	250
	2011.03.17	2009.07.29	500	(250)	–	250
	2011.03.17	2009.08.03	1,000	(500)	–	500
	2011.03.17	2009.08.07	10,000	(5,000)	–	5,000
	2011.03.17	2009.08.10	1,500	(750)	(250)	500
	2011.03.17	2009.08.12	10,000	(5,000)	–	5,000
	2011.03.17	2009.08.14	3,000	(1,312)	(938)	750
	2011.03.17	2009.08.18	1,000	(375)	(625)	–
	2011.03.17	2009.08.21	1,500	(750)	–	750
	2011.03.17	2009.08.28	1,000	(500)	(500)	–
	2011.03.17	2009.08.31	20,000	(10,000)	–	10,000
	2011.03.17	2009.09.01	500	(250)	–	250
	2011.03.17	2009.09.04	16,000	(8,000)	–	8,000
	2011.03.17	2009.09.07	2,000	(1,000)	–	1,000
	2011.03.17	2009.09.08	50,000	(25,000)	–	25,000
	2011.03.17	2009.09.09	30,000	(15,000)	–	15,000
	2011.03.17	2009.09.18	21,500	(10,750)	–	10,750
	2011.03.17	2009.09.23	50,000	(25,000)	–	25,000
	2011.03.17	2009.10.09	41,500	(20,750)	–	20,750
	2011.03.17	2009.10.12	30,000	(15,000)	–	15,000
	2011.03.17	2009.10.23	100,000	(50,000)	–	50,000
	2011.03.17	2009.10.30	3,500	(1,750)	–	1,750
	2011.03.17	2009.11.02	52,000	(25,875)	(625)	25,500
	2011.03.17	2009.11.04	11,000	(5,500)	–	5,500
	2011.03.17	2009.11.06	5,500	(1,999)	(3,001)	500
	2011.03.17	2009.11.09	1,000	(500)	–	500
	2011.03.17	2009.11.11	10,000	(3,750)	(6,250)	–
	2011.03.17	2009.11.13	3,000	(1,437)	(313)	1,250
	2011.03.17	2009.11.15	500	(250)	–	250
	2011.03.17	2009.11.16	2,000	(812)	(938)	250
	2011.03.17	2009.11.20	5,000	(2,500)	–	2,500
	2011.03.17	2009.11.23	2,500	(1,125)	(625)	750
	2011.03.17	2009.11.24	18,500	(9,187)	(313)	9,000
	2011.03.17	2009.12.04	20,000	(7,500)	(12,500)	–

Report of Directors

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
Employees	2011.03.17	2009.12.07	1,000	(500)	–	500
	2011.03.17	2009.12.09	1,000	(500)	–	500
	2011.03.17	2009.12.11	40,000	(17,500)	(12,500)	10,000
	2011.03.17	2009.12.15	2,000	(687)	(1,313)	–
	2011.03.17	2009.12.18	10,000	(3,750)	(6,250)	–
	2011.03.17	2009.12.21	2,500	(1,250)	–	1,250
	2011.03.17	2009.12.28	10,500	(5,250)	–	5,250
	2011.03.17	2009.12.29	120,000	(60,000)	–	60,000
	2011.03.17	2009.12.30	500	(125)	(375)	–
	2011.03.17	2010.01.04	200,000	(75,000)	(31,250)	93,750
	2011.03.17	2010.01.07	50,000	(18,750)	–	31,250
	2011.03.17	2010.01.08	26,500	(9,937)	–	16,563
	2011.03.17	2010.01.12	50,000	(18,750)	(31,250)	–
	2011.03.17	2010.01.15	44,000	(16,499)	(938)	26,563
	2011.03.17	2010.01.18	110,075	(41,278)	(68,172)	625
	2011.03.17	2010.01.20	50,000	(18,750)	–	31,250
	2011.03.17	2010.01.21	2,000	(749)	–	1,251
	2011.03.17	2010.01.22	500	(187)	–	313
	2011.03.17	2010.01.27	10,000	(3,750)	–	6,250
	2011.03.17	2010.02.01	11,500	(4,312)	(938)	6,250
	2011.03.17	2010.02.02	500	(125)	(375)	–
	2011.03.17	2010.02.05	2,500	(937)	–	1,563
	2011.03.17	2010.02.11	1,000	(375)	–	625
	2011.03.17	2010.02.20	3,000	(1,124)	(938)	938
	2011.03.17	2010.02.21	500	(187)	–	313
	2011.03.17	2010.02.24	20,000	(7,500)	–	12,500
	2011.03.17	2010.02.25	2,000	(749)	(313)	938
	2011.03.17	2010.02.26	1,500	(562)	–	938
	2011.03.17	2010.03.01	61,000	(16,625)	(37,500)	6,875
	2011.03.17	2010.03.02	1,000	(375)	–	625
	2011.03.17	2010.03.03	50,000	(18,750)	–	31,250
	2011.03.17	2010.03.05	7,000	(2,500)	(750)	3,750
	2011.03.17	2010.03.08	100,000	(37,500)	–	62,500
	2011.03.17	2010.03.09	1,000	(250)	(750)	–
	2011.03.17	2010.03.10	51,000	(19,000)	(750)	31,250
	2011.03.17	2010.03.12	1,000	(375)	–	625
	2011.03.17	2010.03.15	1,500	(562)	–	938
	2011.03.17	2010.03.16	50,000	(18,750)	(31,250)	–
	2011.03.17	2010.03.18	3,000	(1,124)	–	1,876
	2011.03.17	2010.03.19	10,500	(3,936)	–	6,564
	2011.03.17	2010.03.21	500	(187)	–	313
	2011.03.17	2010.03.22	11,000	(4,125)	(625)	6,250
	2011.03.17	2010.03.23	101,000	(37,875)	(31,250)	31,875

Report of Directors

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
Employees	2011.03.17	2010.03.24	1,500	(375)	(1,125)	-
	2011.03.17	2010.03.26	15,500	(5,811)	-	9,689
	2011.03.17	2010.03.29	33,000	(12,374)	(938)	19,688
	2011.03.17	2010.03.30	1,500	(562)	(938)	-
	2011.03.17	2010.04.02	10,000	(2,500)	(7,500)	-
	2011.03.17	2010.04.06	6,000	(2,124)	(750)	3,126
	2011.03.17	2010.04.09	1,500	(375)	(1,125)	-
	2011.03.17	2010.04.12	3,500	(1,124)	(1,125)	1,251
	2011.03.17	2010.04.13	2,500	(812)	(750)	938
	2011.03.17	2010.04.16	15,500	(4,374)	(8,625)	2,501
	2011.03.17	2010.04.19	3,000	(1,062)	(1,313)	625
	2011.03.17	2010.04.21	2,000	(749)	-	1,251
	2011.03.17	2010.04.22	1,500	-	(1,500)	-
	2011.03.17	2010.04.23	10,000	(3,750)	-	6,250
	2011.03.17	2010.04.26	23,500	(8,686)	(750)	14,064
	2011.03.17	2010.04.28	1,500	(562)	-	938
	2011.03.17	2010.04.29	150,000	(56,250)	-	93,750
	2011.03.17	2010.05.04	26,500	(7,998)	(9,750)	8,752
	2011.03.17	2010.05.05	500	(187)	-	313
	2011.03.17	2010.05.10	30,000	(11,250)	-	18,750
	2011.03.17	2010.05.11	13,000	(3,624)	(7,500)	1,876
	2011.03.17	2010.05.12	1,500	-	(1,500)	-
	2011.03.17	2010.05.14	12,500	(4,687)	-	7,813
	2011.03.17	2010.05.17	1,000	(250)	(750)	-
	2011.03.17	2010.05.21	36,500	(13,374)	(1,875)	21,251
	2011.03.17	2010.05.24	53,500	(19,374)	(33,500)	626
	2011.03.17	2010.05.25	2,000	(687)	(375)	938
	2011.03.17	2010.05.26	500	(187)	-	313
	2011.03.17	2010.05.27	1,000	(375)	-	625
	2011.03.17	2010.05.28	31,500	(11,812)	-	19,688
	2011.03.17	2010.06.04	18,000	(2,686)	(11,875)	3,439
	2011.03.17	2010.06.07	1,500	(500)	(375)	625
	2011.03.17	2010.06.09	1,000	(250)	(750)	-
	2011.03.17	2010.06.18	23,500	(8,812)	-	14,688
	2011.03.17	2010.06.21	23,000	(8,371)	(875)	13,754
	2011.03.17	2010.06.25	16,000	(4,750)	(7,500)	3,750
	2011.03.17	2010.06.28	4,500	(1,561)	(750)	2,189
	2011.03.17	2010.07.01	50,000	(12,500)	-	37,500
	2011.03.17	2010.07.02	7,500	(1,375)	(2,000)	4,125
	2011.03.17	2010.07.05	4,000	(1,000)	-	3,000
	2011.03.17	2010.07.06	3,500	(875)	-	2,625

Report of Directors

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
Employees	2011.03.17	2010.07.12	8,000	(2,000)	(1,125)	4,875
	2011.03.17	2010.07.13	23,000	(5,750)	(750)	16,500
	2011.03.17	2010.07.15	1,500	(375)	-	1,125
	2011.03.17	2010.07.16	3,500	(875)	(1,500)	1,125
	2011.03.17	2010.07.19	11,500	(2,875)	-	8,625
	2011.03.17	2010.07.20	18,500	(4,250)	(3,375)	10,875
	2011.03.17	2010.07.21	1,000	(250)	-	750
	2011.03.17	2010.07.26	53,000	(13,250)	(37,500)	2,250
	2011.03.17	2010.07.28	1,500	(375)	-	1,125
	2011.03.17	2010.07.30	1,500	(375)	-	1,125
	2011.03.17	2010.08.02	500	(125)	(375)	-
	2011.03.17	2010.08.03	567,000	(139,000)	(12,125)	415,875
	2011.03.17	2010.08.10	13,000	(2,875)	(2,625)	7,500
	2011.03.17	2010.08.11	151,500	(37,875)	-	113,625
	2011.03.17	2010.08.16	1,500	(375)	-	1,125
	2011.03.17	2010.08.17	89,000	(22,000)	(1,750)	65,250
	2011.03.17	2010.08.23	2,500	(625)	-	1,875
	2011.03.17	2010.08.24	17,000	(4,250)	(8,625)	4,125
	2011.03.17	2010.08.25	1,500	-	(1,500)	-
	2011.03.17	2010.08.30	1,500	(375)	-	1,125
	2011.03.17	2010.08.31	13,000	(3,250)	(1,125)	8,625
	2011.03.17	2010.09.01	31,000	(250)	(30,000)	750
	2011.03.17	2010.09.06	50,000	-	(50,000)	-
	2011.03.17	2010.09.07	13,000	(3,250)	-	9,750
	2011.03.17	2010.09.08	2,000	(500)	-	1,500
	2011.03.17	2010.09.09	1,500	(375)	-	1,125
	2011.03.17	2010.09.10	1,500	(375)	-	1,125
	2011.03.17	2010.09.13	5,500	(1,125)	(1,000)	3,375
	2011.03.17	2010.09.14	22,000	(5,500)	-	16,500
	2011.03.17	2010.09.16	2,000	(500)	-	1,500
	2011.03.17	2010.09.20	5,500	(1,375)	-	4,125
	2011.03.17	2010.09.25	1,500	(375)	(1,125)	-
	2011.03.17	2010.09.28	500	(125)	-	375
	2011.03.17	2010.10.08	196,500	(26,000)	(93,625)	76,875
	2011.03.17	2010.10.09	25,000	(6,250)	-	18,750
	2011.03.17	2010.10.11	11,000	(250)	(10,000)	750
	2011.03.17	2010.10.13	1,000	(250)	-	750
	2011.03.17	2010.10.21	2,000	(500)	-	1,500
	2011.03.17	2010.11.21	1,000	(250)	-	750
	2011.03.17	2010.11.22	50,000	(12,500)	-	37,500
	2011.03.17	2010.11.30	150,000	-	(150,000)	-

Report of Directors

Share Option Schemes (Continued)

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

(3) PNM March 2011 Scheme (Continued)

Name or category of participants	Date of grant	Commencement of vesting period	No. of RSU			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
Employees	2011.03.17	2010.12.01	51,000	(12,500)	(1,000)	37,500
	2011.03.17	2010.12.03	500	–	(500)	–
	2011.03.17	2010.12.21	30,000	–	(30,000)	–
	2011.03.17	2011.01.04	100,000	–	–	100,000
	2011.03.17	2011.01.11	100,000	–	–	100,000
	2011.03.17	2011.02.14	60,000	–	–	60,000
	2011.03.17	2011.02.21	10,000	–	–	10,000
	2011.03.17	2011.03.01	90,000	–	–	90,000
Total			10,050,958	(4,756,956)	(1,037,394)	4,256,608

The particulars and movements of restricted shares (“RS”) granted under the PNM March 2011 Scheme during the year are as following:

Name or category of participants	Date of grant	Commencement of vesting period	No. of RS			Balance as at 31 December 2011
			Granted during the year	Vested during the year	Lapsed during the year	
LIU Shuang (Note)	2011.03.17	2009.04.01	2,178,000	(1,361,250)	–	816,750
LI Ya (Note)	2011.03.17	2009.04.01	2,117,500	(1,323,437)	–	794,063
Employees	2011.03.17	2009.04.01	7,202,700	(4,501,683)	–	2,701,017
	2011.03.17	2010.02.20	60,000	(22,500)	–	37,500
	2011.03.17	2010.02.21	1,800,000	(675,000)	–	1,125,000
	2011.03.17	2010.10.08	400,000	(100,000)	–	300,000
	2011.03.17	2010.10.25	50,000	(12,500)	–	37,500
	2011.03.17	2010.12.01	4,300,000	(1,075,000)	–	3,225,000
	2011.03.17	2010.12.27	900,000	(225,000)	–	675,000
	Total			19,008,200	(9,296,370)	–

Note: LIU Shuang and LI Ya are currently the directors of PNM.

Save as disclosed above, no option was granted to the Directors, chief executive or substantial shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option Scheme or the PNM March 2011 Scheme during the year.

Share Option Schemes (Continued)

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

(4) Capital Increase Agreement

On 29 May 2011, a capital increase agreement (“Capital Increase Agreement”) was made between the controlling shareholders of Regal Fame Investments Limited, three People’s Republic of China domestic investors, 27 employees (the “Employees”) of various members of Phoenix Metropolis Media Holdings Limited and its subsidiaries, Phoenix Metropolis Communication (Beijing) Co., Limited and Phoenix Metropolis Media Technology Co., Ltd. (“PMM Beijing”), formerly known as Phoenix Metropolis Media (Beijing) Company Limited. Pursuant to the Capital Increase Agreement, the Employees subscribed for an aggregate of RMB15,000,000 of registered capital (representing 10.71% of the equity interests) of PMM Beijing at the subscription price of RMB2.53 per RMB1.00 of registered capital. The Employees are restricted from transferring their interests until August 2012.

Details of the registered capital of PMM Beijing subscribed by the Employees are as follows:

Name or category of participants	Subscription price per 1.00 of registered capital (RMB)	Registered capital subscribed (RMB)	% of equity interests in PMM Beijing after completion of the Capital Increase Agreement
26 employees (excluding Liu Keyi)	2.53	12,583,300	8.98%
LIU Keyi (Note)	2.53	2,416,700	1.73%
Total		15,000,000	10.71%

Note: Ms. LIU Keyi is the Vice-president of PMM Beijing and the sister of Mr. LIU Changle, the Chief Executive Officer and Chairman of the Company.

Save as disclosed above, no registered capital of PMM Beijing was subscribed by the Directors, chief executive or substantial shareholders, or their respective associates, of the Company, or to the suppliers of goods or services under the Capital Increase Agreement during the year.

Report of Directors

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:

GAO Nianshu
SHA Yuejia
GONG Jianzhong
Jan KOEPPEN
CHEUNG Chun On, Daniel

Independent Non-executive Directors:

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK

Alternate Directors:

GAO Jack Qunyao	(alternate to CHEUNG Chun On, Daniel)
WONG Ella Betsy	(alternate to Jan KOEPPEN)

In accordance with Article 87(1) of the Company's articles of association, Messrs. GAO Nianshu, GONG Jianzhong and CHEUNG Chun On, Daniel retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Confirmation of Independence

The Company has received from each of Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this report, the Company still considers them to be independent.

Report of Directors

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

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

LIU Changle

New appointments

China Southern Airlines Company Limited* (*Independent Non-executive Director*)

Phoenix Research & Development Limited (*Director*)

Phoenix Industrial Development Centre Limited (*Director*)

Phoenix Research Institute Limited (*Director*)

Phoenix Culture Industrial Development Company Limited (*Director*)

CHUI Keung

New appointments

Phoenix Research & Development Limited (*Director*)

Phoenix Industrial Development Centre Limited (*Director*)

Phoenix Research Institute Limited (*Director*)

Phoenix Culture Industrial Development Company Limited (*Director*)

WANG Ji Yan

New appointments

Phoenix Research & Development Limited (*Director*)

Phoenix Culture Industrial Development Company Limited (*Director*)

GONG Jianzhong

Cessation of appointment

Jilin Qifeng Chemical Fiber Co., Ltd* (*Non-executive Director and Vice Chairman*)

Thaddeus Thomas BECZAK

New appointment

Arnold (B.V.I.) Limited (*Director*)

LO Ka Shui

New appointment

Hong Kong Monetary Authority (*Member of the Exchange Fund Advisory Committee*)

Jan KOEPPEN

New appointment

Alliance Yapim Ltd Sirketi (Fox Turkey) (*Director*)

* The securities of these companies are listed on a securities market in Hong Kong or overseas.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of Directors

Directors' Service Contracts

On 17 November 2009, each of Mr. LIU Changle and Mr. CHUI Keung, executive Directors, entered into a new service contract with the Company for a term of three years commencing from 1 July 2009 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

Save as disclosed herein, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory 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 Corporate Governance 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' and Chief Executives' Interests in Securities

As at 31 December 2011, the interests and short positions of the Directors and chief executive 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 executive was 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (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

Ordinary shares of the Company

Name	Number of ordinary shares held			Position	Approximate shareholding percentage
	Personal/ other interests	Corporate interests	Total number of shares		
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.19%
LO Ka Shui (Note 3)	9,756,000	–	9,756,000	Long	0.20%

Notes:

- As at 31 December 2011, the number of the issued shares of the Company was 4,992,985,500.
- As at 31 December 2011, 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 37.19% of the issued share capital of the Company.
- As at 31 December 2011, Dr. LO Ka Shui was the beneficial owner of 2,500,000 Shares while 7,256,000 Shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

Report of Directors

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

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

Phoenix New Media Limited ("PNM")

Name	Number of class A ordinary shares held in PNM			Position	Approximate shareholding percentage
	Personal/ other interest	Corporate interest	Total Interest		
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.48%
LO Ka Shui	727,800	–	727,800	Long	0.24%

Notes:

1. As at 31 December 2011, the number of the issued Class A ordinary shares of PNM was 306,101,077.
2. PNM is a non-wholly owned subsidiary of the Company.
3. As at 31 December 2011, 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 0.48% of the issued class A ordinary shares of PNM.

(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 2011
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 2011, 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 Committee and the New Share Option Scheme Committee 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 schemes approved by the Shareholders on 7 June 2000 have no remaining life and no further options can be granted under the schemes.

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 Company's 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.

Report of Directors

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2011, 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:

(i) Long positions of substantial shareholders in the ordinary shares of the Company

Name of substantial shareholders	Number of Shares	Approximate shareholding percentage
Today's Asia Limited (Note 2)	1,854,000,000	37.13%
Extra Step Investments Limited (Note 3)	983,000,000	19.69%
Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.) (Note 4)	871,000,000	17.44%

Notes:

1. As at 31 December 2011, the number of issued shares of the Company was 4,992,985,500.
2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% interests, respectively.
3. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited which in turn is a subsidiary of China Mobile Communications Corporation ("CMCC"). By virtue of the SFO, CMCC and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. GAO Nianshu and Mr. SHA Yuejia, both non-executive Directors, are respectively general manager of data services department of CMCC and executive director and vice president of China Mobile Limited. Dr. LO Ka Shui, an independent non-executive Director, is an independent non-executive director of China Mobile Limited.
4. Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.) is a subsidiary of Star Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of Star Group Limited. News Publishers Investments Pty. Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty. Limited is a wholly-owned subsidiary of STAR LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a direct wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is an indirect wholly-owned subsidiary of News Publishing Australia Limited, which is an indirect wholly-owned subsidiary of News Corporation.

By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Group Limited are all deemed to be interested in the 871,000,000 Shares held by Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.).

Report of Directors

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

(ii) 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
China Wise International Limited (Note 2)	412,000,000	8.25%

Notes:

1. As at 31 December 2011, the number of issued shares of the Company was 4,992,985,500.
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.
3. 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 executive of the Company) known to the Directors or the chief executive of the Company, who, as at 31 December 2011, 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 2011	Year 2010
Programme purchases		
– the largest supplier	11%	13%
– five largest suppliers	38%	53%
Sales		
– the largest advertising end-customer	3%	3%
– five largest advertising end-customers	8%	10%

The largest advertising end-customer during the year ended 31 December 2011 is represented by CMCC and its subsidiaries. Details of the transactions between the Group and the CMCC and its subsidiaries are set out in Note 42 to the consolidated financial statements. CMCC through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.69% of the issued share capital of the Company.

Report of Directors

Major Suppliers and Customers (Continued)

The film license fees paid/payable to STAR TV Filmed Entertainment Limited ("STAR Filmed") are not included in the above list of programme purchases suppliers. Details of the transactions between the Group and STAR Filmed are set out in Note 42 to the consolidated financial statements. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as disclosed above, none of the Directors, the chief executive, or their associates, or any shareholder (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/Continuing Connected Transactions

Certain related party transactions entered by the Group during the year ended 31 December 2011, which also constitute connected transactions/continuing connected transactions under the Listing Rules, are disclosed in Note 42 to the consolidated financial statements. The following transactions between certain connected parties (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. The connected transactions under the agreement dated 30 June 2006 (the "2006 Agreement") with Satellite Television Asian Region Limited ("STARL") had been approved by resolutions of independent shareholders of the Company ("Independent Shareholders") passed on 18 August 2006.

Upon expiry of the 2006 Agreement on 30 June 2009, Phoenix Satellite Television Company Limited ("Phoenix HK") entered into a new agreement on 2 July 2009 (the "New Star Services Agreement") with STARL for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 which was announced on 3 July 2009.

STARL is a subsidiary of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company. The connected transactions are:

- (i) STARL provides (a) technical and administrative services under the New Star Services Agreement until 30 June 2012 and (b) technical and support services thereafter respectively for the operations of the Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel. For the year ended 31 December 2011, the service charges paid/payable to STARL amounted to approximately HK\$19,084,000 (2010: HK\$19,872,000), which were calculated under the terms of the executed service agreement between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK\$23,000,000 for the period from 1 January 2011 to 31 December 2011.
- (ii) STARL acts as a non-exclusive agent to promote international subscription sales and marketing services for the Group. For the year ended 31 December 2011, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK\$4,470,000 (2010: HK\$4,478,000), which was calculated based on 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL. Such amount did not exceed the annual cap of HK\$4,500,000 for the period from 1 January 2011 to 31 December 2011.
- (iii) STARL provides purchase of decoders and viewing cards service to Phoenix HK. For the year ended 31 December 2010 and 2011, there were no payment for purchase of decoders and viewing cards. The annual cap for the period from 1 January 2011 to 31 December 2011 is HK\$1,000,000.

Connected Transactions/Continuing Connected Transactions (Continued)
Continuing Connected Transactions (Continued)

2. (a) On 31 December 2010, Phoenix HK, through its PRC advertising agent, Shenzhou Television Company Limited (“Shenzhou”) entered into an advertising contract (the “2011 Contract”) with CNHK Media Limited (“CNHK Media”), the PRC advertising agent of China Mobile Communications Corporation (“CMCC”), relating to the purchase of advertising airtime and/or sponsoring programmes being broadcasted on the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2011 to 31 December 2011 for the sum not exceeding RMB40,000,000 (approximately HK\$46,684,000) for promoting CMCC and its associates (“CMCC Group”).
- (b) On 30 December 2011, Phoenix HK, through its PRC advertising agent, Shenzhou entered into an advertising contract (the “2012 Contract”) with CNHK Media, the PRC advertising agent of CMCC, relating to the purchase of advertising airtime at and/or sponsoring programmes being broadcasted on the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2012 to 31 December 2012 for the sum not exceeding RMB50,000,000 (approximately HK\$61,265,000) for promoting CMCC Group.

China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. CMCC Group are connected persons of the Company. The transactions under the 2011 Contract and the 2012 Contract respectively constitute continuing connected transactions for the Company. Pursuant to Rule 14A.34 of the Listing Rules they were subject to the reporting and announcement requirements and were exempted from the Independent Shareholders’ approval.

For the year ended 31 December 2011, the advertising sales to CMCC Group amounted to approximately HK\$45,839,000 (2010: HK\$42,387,000).

3. Website portal, value-added telecommunications, promotional and ancillary services (“New Media CCT”) by and to CMCC Group.

The Group carries on new media business (provision of website portal, value-added telecommunications, promotional and ancillary services) through its indirectly-owned subsidiary, PNM, and together with its subsidiaries, the “PNM Group”. On 31 December 2009, PNM acquired 100% of the economic interests of two PRC domestic enterprises, namely Beijing Tianying Jiuzhou Network Technology Co., Ltd. (“Tianying”) and Yifeng Lianhe (Beijing) Technology Co., Ltd. (“Yifeng”). Prior to 31 December 2009, Tianying and Yifeng had entered into a number of continuing transactions with the CMCC Group in the ordinary and usual course of business, these transactions became continuing connected transactions of the Group falling under Rule 14A.41 of the Listing Rules upon Tianying and Yifeng being treated as indirect subsidiaries of the Company for accounting purposes. Several New Media CCT were entered into between the PNM Group and the CMCC Group since 1 January 2010 which constituted non-exempt continuing connected transactions when aggregated on an annual basis with the other New Media CCT. Details of these transactions were disclosed in the announcements of the Company made on 31 December 2009 and 25 October 2010 respectively.

Report of Directors

Connected Transactions/Continuing Connected Transactions (Continued) Continuing Connected Transactions (Continued)

The description and pricing basis of New Media CCT can be summarised as follows:

Description of transaction	Pricing basis
(a) rental of IDC (Internet Data Center) facilities from the CMCC Group	for a fixed fee determined by reference to the market price or industry standards with a discount negotiated on an arm's length basis
(b) fee calculation and collection services provided by the CMCC Group in respect of value-added telecommunications contents the PNM Group makes available on the CMCC Group's platforms	(i) for payment via mobile service, the CMCC Group is entitled to 0.3% and 5% respectively of the amounts paid in cash and by mobile fee recharge card by subscribers via such service (ii) for short messaging, WAP, IVR, multi media messaging, music and JAVA contents, the CMCC Group is entitled to 15% to 65% of the data service fees collected from subscribers, determined by reference to industry standards; for short messaging and multi media messaging contents, the CMCC Group also charges the PNM Group an "information flow imbalance" fee based on the difference between the number of short or multi media messages the PNM Group sends to subscribers and the number of short or multi media messages subscribers send to the PNM Group
(c) (i) purchase of value-added telecommunications contents based on programs available on Group's channels, seminars and other promotional activities conducted by Group's presenters	(i) for a fixed fee or on a profit-sharing basis determined by reference to industry standards negotiated on an arm's length basis taking into account the substantial subscriber base of the CMCC Group on the one hand, and the unique contents provided by the PNM Group on the other hand
(ii) ad hoc promotional activities jointly undertaken with or sub-contracted by the CMCC Group	(ii) on a cost plus reasonable profit margin basis

At the extraordinary general meeting of the Company held on 9 December 2010, the independent shareholders of the Company approved an annual cap for the New Media CCT for the year ended 31 December 2011 at RMB289,000,000 (HK\$332,350,000) (the "2011 Annual Cap"). The aggregate service charges received/receivable by the PNM Group from CMCC Group, and the aggregate service charges paid/payable by the PNM Group to the CMCC Group for the year ended 31 December 2011 amounted to approximately RMB141,936,000 (HK\$170,463,000) and RMB68,543,000 (HK\$82,319,000) respectively, whereas, for the year ended 31 December 2010, approximately RMB116,366,000 (HK\$133,438,000) and RMB29,670,000 (HK\$34,024,000) respectively.

Connected Transactions/Continuing Connected Transactions (Continued)
Continuing Connected Transactions (Continued)

4. On 14 June 2011, the Company announced that Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited (“PMM Beijing”) entered into an outdoor advertising contract (“Outdoor Advertising Contract”) with 深圳市中港文化傳播有限責任公司, relating to placing advertisement for and on behalf of CMCC Group on LED Panels in the PRC for the period from 14 June 2011 to 31 March 2012 for the sum of no more than RMB18,000,000 (approximately HK\$21,571,200) for promoting CMCC Group. CMCC being the ultimate holding company of China Mobile (Hong Kong) Group Limited, a substantial shareholder of the Company, is a connected person of the Company and the transaction under the Outdoor Advertising Contract constitutes a continuing connected transaction for the Company. Pursuant to Rule 14A.34 of the Listing Rules it was subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirement.

For the year ended as 31 December 2011, the advertising sales to CMCC Group amounted to approximately HK\$3,845,000 (2010: Nil).

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, on 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 of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “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 containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 74 to 77 of this report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

Connected Transactions

5. On 12 January 2009, Phoenix HK entered into an agreement with Fox News International, Inc (“Fox”) for the provision of a license to use the Edge (Fox’s services, access to the Edge Intranet website and feeds) from 1 January 2009 to 31 December 2011. As Fox is an associate of Star Entertainment Holdings Limited (formally known as Xing Kong Chuan Mei Group Co., Ltd), a substantial shareholder of the Company, it is a connected person of the Company and the above transaction is a connected transaction. The transaction itself is a de minimis transaction exempt from the requirements as set in Rule 14A.25 of the Listing Rules.

For the year ended 31 December 2011, the license fees paid/payable to Fox amounted to approximately HK\$411,000 (2010: HK\$532,000).

Report of Directors

Connected Transactions/Continuing Connected Transactions (Continued) Connected Transactions (Continued)

6. (a) On 12 May 2010, Phoenix HK entered into an agreement with Fortune Star Entertainment (HK) Limited ("Fortune Star") for a license fee of US\$195,000 (approximately HK\$1,512,030) to broadcast 26 films on the Phoenix Movies Channel for the period from 1 June 2010 to 31 May 2014.
- (b) On 19 November 2010, Phoenix HK entered into an agreement with Fortune Star for a license fee of US\$8,000 (approximately HK\$62,002) to broadcast 2 films on the Phoenix Chinese Channel for the period from 22 November 2010 to 21 November 2012.
- (c) On 27 January 2011, Phoenix HK entered into two agreements with Fortune Star Media Limited ("Fortune Star Media") for a total license fee of US\$110,500 (approximately HK\$858,154) to respectively broadcast (1) 7 films on the Phoenix Chinese Channel from January 2011 and (2) 9 films on the Phoenix Movie Channel from May 2011.
- (d) On 9 June 2011, Phoenix HK entered into an agreement with Fortune Star Media for a license fee of US\$77,000 (approximately HK\$598,059) to broadcast 11 films on the Phoenix Hong Kong Channel during the period from 15 June 2011 to 1 January 2012.
- (e) On 23 December 2011, Phoenix HK entered into agreements with Fortune Star Media for a license fee of a total sum of US\$210,500 (approximately HK\$1,635,711) to broadcast 30 films on the Phoenix Chinese Channel, Phoenix Hong Kong Channel and Phoenix Movies Channel during the period from 1 January 2012 to 30 April 2016.

As Fortune Star and Fortune Star Media are associates of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company, they are connected persons of the Company and the above transactions are connected transactions and were disclosed in the announcements dated 12 May 2010, 19 November 2010, 27 January 2011, 9 June 2011 and 23 December 2011 respectively.

For the year ended 31 December 2011, the license fees paid/payable to Fortune Star and Fortune Star Media amounted to approximately HK\$3,326,000 (2010: HK\$1,517,000).

7. (a) On 29 December 2010, Phoenix HK entered into an agreement with NGC Network Asia, LLC ("NGC") for a license fee of not exceeding US\$150,800 (approximately HK\$1,168,368) to broadcast 52 blocks of contents from the National Geographic Channel on the Phoenix Chinese Channel for the period from 1 January 2011 to 31 December 2011.
- (b) On 23 December 2011, Phoenix HK entered into an agreement with NGC for a license fee of not exceeding US\$150,800 (approximately HK\$1,171,806) to broadcast 52 blocks of contents from the National Geographic Channel on the Phoenix Chinese Channel for a term of one year commencing from 1 January 2012.

As NGC is an associate of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial shareholder of the Company, it is a connected person of the Company and the above transactions constitute connected transactions and were disclosed in the announcements dated 29 December 2010 and 23 December 2011 respectively.

For the year ended 31 December 2011, the license fee paid/payable to NGC amount to approximately HK\$1,056,000 (2010: Nil).

Connected Transactions/Continuing Connected Transactions (Continued)
Connected Transactions (Continued)

8. On 11 April 2011, Mr. Wang Yanjun, Mr. Li Bin (collectively, the “Regal Fame Controlling Shareholders”) and Regal Fame Investments Limited (“Regal Fame”) entered into a sale and purchase agreement with Phoenix Satellite Television (B.V.I.) Holding Limited (“Phoenix BVI”), a wholly-owned subsidiary of the Company, whereby Regal Fame conditionally agreed to sell its 25% shareholding in Phoenix Metropolis Media Holdings Limited (“Phoenix Metropolis Media”) to Phoenix BVI for a consideration of HK\$64,250,000 and the Regal Fame Controlling Shareholders agreed to guarantee the due performance of Regal Fame’s obligations under the sale and purchase agreement.

On 11 April 2011, the Regal Fame Controlling Shareholders entered into a capital increase agreement with PMM Beijing, a wholly-owned subsidiary of Phoenix Metropolis Media, whereby the Regal Fame Controlling Shareholders conditionally agreed to subscribe for an aggregate of 25% equity interests in PMM Beijing for an aggregate consideration of HK\$64,250,000.

The sale and purchase agreement and the capital increase agreement formed part of an ongoing restructuring of the Phoenix Metropolis Media and its subsidiaries, which also involved among other things the grouping of various PRC operating subsidiaries of Phoenix Metropolis Media under PMM Beijing.

As Regal Fame and the Regal Fame Controlling Shareholders are respectively direct and indirect substantial shareholders of Phoenix Metropolis Media and Phoenix Metropolis Media is an indirect subsidiary of the Company, Regal Fame and the Regal Fame Controlling Shareholders are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the sale and purchase agreement and the capital increase agreement constitute connected transactions of the Company under the Listing Rules. As one or more of the percentage ratios applicable to the transactions contemplated under the sale and purchase agreement and the capital increase agreement are more than 1% but less than 5%, such transactions are subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

9. On 27 July 2011, the Company announced that on 29 May 2011, Regal Fame Controlling Shareholders, three People’s Republic of China domestic investors, 27 employees (the “Employees”) of various members of the Phoenix Metropolis Media and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited (“PMM Communication”) entered into a capital increase agreement (the “Capital Increase Agreement”) with PMM Beijing. Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately HK\$48,000,000 to RMB140,000,000 and the Company’s indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%.

As among the Employees who subscribed for equity capital in PMM Beijing pursuant to the Capital Increase Agreement, eight of them are directors of one or more members of the Phoenix Metropolis Media and its subsidiaries (“PMM Directors”) and one of them was Ms. Liu Keyi (“Ms. Liu”). As the percentage ratios applicable to the subscription of equity capital in PMM Beijing by each of the PMM Directors are all below the de minimis threshold under Rule 14A.31(2) of the Listing Rules, all of their subscriptions are exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Ms. Liu subscribed for RMB2,416,700 (approximately HK\$2,896,333) registered capital in PMM Beijing (representing 1.73% of the registered capital in PMM Beijing) for a consideration of RMB6,114,251 (approximately HK\$7,327,722). As Ms. Liu was the sister of the Chairman of the Company Mr. Liu Changle, she was a connected person of the Company and her entering into of the Capital Increase Agreement and subscription of equity capital in PMM Beijing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the subscription of equity capital in PMM Beijing by Ms. Liu are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Report of Directors

Competing Business

Star Group Limited and its subsidiaries ("STAR") engage in the development, production and broadcasting of television programming in Asia with India as the key market. STAR's programming is distributed primarily via satellite to local cable and direct-to-home operation channels including Channel [V] Taiwan, Star Chinese Movies, Star Chinese Channel. Mr. Jan KOEPPEN and Mr. CHEUNG Chun On, Daniel, both non-executive Directors, and their alternate Directors, Ms. Ella Betsy WONG and Dr. GAO Jack Qun Yao, are employees of News Corporation and its affiliates. Other than the Chinese-language channels offered by STAR above, News Corporation and its subsidiaries do not offer any other similar Chinese-language channels.

Save as disclosed above, as at the latest practicable date, none of the Directors, or their respective associates (as defined under the Listing Rules) had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group during the year. Since the channels operated by STAR differ in nature form and do not directly compete with the channels operated by the Company, the Company is capable of carrying on its business independently.

Advances to an Entity

Details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets as at 31 December 2011, as defined under Rule 14.07(1) of the Listing Rules, are set out in Note 24 to the consolidated financial statements.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 41 to 46 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 Company's issued shares as required under the Listing Rules.

Subsequent Events

On 20 February 2012, the Group entered into a loan agreement with a bank with principal amount of RMB58,000,000. The loan, which was fully drawn down on 29 February 2012, matures on 19 February 2013 and bears interest at 7.872% annually. The loan is secured by the land in Chaoyang Park together with the development site.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2011 and provided advice and comments thereon.

Auditor

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

On behalf of the Board

LIU Changle

Chairman

Hong Kong, 15 March 2012