Chairman's Statement

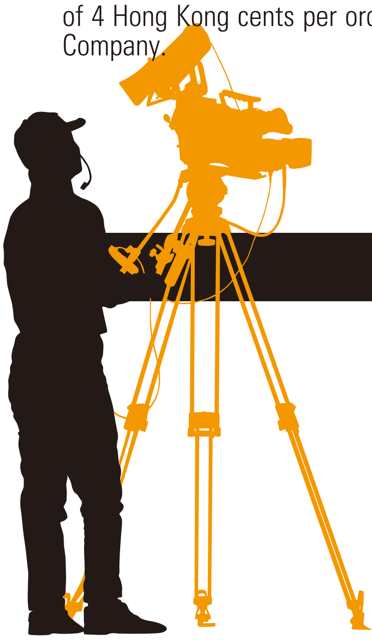
Financial Summary

- Revenue for the year ended 31 December 2014 was approximately HK$4,618,365,000, which represented a decrease of 3.9% in comparison with the previous year. The decline in television advertising revenue was almost compensated by the increase in revenue in new media business.

- Operating profit for the year ended 31 December 2014 was approximately HK$901,781,000, which represented a decrease of 28.5% in comparison with the previous year as the profit margin of the television broadcasting business was much higher and more stable than those of the Group's other areas of business, including the new media business.

- Profit attributable to owners of the Company was approximately HK$663,710,000, which represented a decrease of 28.8% in comparison with the previous year.

- The Board has recommended a final dividend of 4 Hong Kong cents per ordinary share of the Company.



The Group's revenue and operating profit for the year ended 31 December 2014 were approximately HK$4,618,365,000 and HK$901,781,000 respectively, which represented a decrease of respectively 3.9% and 28.5% in comparison with the same period of the previous year.

Results

The revenue of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Phoenix") for the year ended 31 December 2014 was approximately HK$4,618,365,000 (year ended 31 December 2013: HK$4,806,458,000), which represented a 3.9% decrease in comparison with the same period of the previous year.

The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. The operating costs have increased by 4.8% to approximately HK$3,716,584,000 (year ended 31 December 2013: HK$3,544,942,000). The upward movement in operating costs was mainly due to the expansion of the new media business.

The operating profit of the Group for the year ended 31 December 2014 was approximately HK$901,781,000 (year ended 31 December 2013: HK$1,261,516,000), which represented a decrease of 28.5% compared to the same period of the previous year.

Fair value gain of approximately HK$173,400,000 (year ended 31 December 2013: HK$104,199,000) was recognised for the investment property in Beijing and fair value gain of approximately HK$2,377,000 (year ended 31 December 2013: HK$95,000) was recognised for the investment property in London.

The net exchange loss of the Group for the year ended 31 December 2014 was approximately HK$14,325,000 (year ended 31 December 2013: net exchange gain of HK$43,088,000) resulting from the depreciation of Renminbi.

The profit attributable to owners of the Company was approximately HK$663,710,000 (year ended 31 December 2013: HK$932,394,000), which represented a decrease of 28.8% compared to the same period of the previous year.

Chairman's Statement

The chart below summarises the performance of the Group for the year ended 31 December 2014 and the year ended 31 December 2013 respectively.

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Television broadcasting	**1,997,976**	2,374,864
New media	**1,989,680**	1,751,100
Outdoor media	**553,604**	612,823
Real estate	**3,713**	1,157
Other businesses	**73,392**	66,514
Group's total revenue	**4,618,365**	4,806,458
Operating costs	**(3,716,584)**	(3,544,942)
Operating profit	**901,781**	1,261,516
Fair value gain on investment properties	**175,777**	104,294
Fair value gain on derivative financial instruments	**37,801**	–
Exchange (loss)/gain, net	**(14,325)**	43,088
Other income, net	**81,974**	41,203
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**1,183,008**	1,450,101
Share of results of joint ventures and associates	**(21,226)**	6,318
Income tax expense	**(251,322)**	(293,391)
Profit for the year	**910,460**	1,163,028
Non-controlling interests	**(246,750)**	(230,634)
Profit attributable to owners of the Company	**663,710**	932,394
Basic earnings per share, Hong Kong cents	**13.28**	18.66

Business Overview And Prospects

The year 2014 saw a downward trend in the Chinese consumer economy, and the significant diminution in the demand for luxury items, which in turn has led to a considerable reduction in advertising income. This downward trend has been influenced by the Chinese government's campaign to counter corruption, and also by the stagnation of the property market. The Chinese government is also working to encourage businesses to meet the needs of China's expanding urban population and middle class, which in turn will generate renewed consumer demand. Economic analysts assess that over the next three years the most productive sectors in China will be food and beverage, entertainment, logistics and healthcare, and each of these sectors will see an increase in advertising. In short, the economic trends of the last financial year do not foreshadow long-term challenges to the Group.

Another challenge that the Chinese television business has been facing is the dramatic growth in the internet-based media technologies which has been driven to a large extent by the availability of modern mobile phone technology in China. Having anticipated the emergence of this challenge, the Group has been preparing for this development for some years, and with the establishment of the Group's Phoenix New Media, it is well placed to generate considerable income from the rapid expansion of the social media world in China. The establishment of the Group's new media business has required considerable investment, but the income that the Group derives from this line of business will hopefully no longer be seriously reduced by development expenditure in the longer term.

Over recent years there has also been a considerable increase in the number of entertainment programmes provided by local television stations and satellite television channels in China. These channels gain a certain amount of television ratings, but none of them have the capacity to compete with the Group in terms of national and international news, and commentary programmes that analyse current issues in a serious and yet at the same time highly accessible manner.

The Group's reporting covered in detail the crash of two Malaysian Airlines aircraft, both of which occurred in mysterious circumstances, the anti-government demonstrations in Thailand which eventually led to a military coup that ousted Prime Minister Yingluck Shinawatra, and the election of Narendra Modi as Indian Prime Minister, and his more active approach to developing relations with China than any of his predecessors. The Group has also provided extensive coverage of developments in the Middle East and Europe, including the civil war in Syria, the rise of ISIS, the diplomatic negotiations over the Iranian nuclear programme, and the often violent territorial tensions between Ukraine and Russia.

The Group's reporting has also covered developments in the Asian region, including the continuing tensions between China and Japan over the Diaoyutai Islands and the Japanese Prime Minister's ambiguous approach to Japan's military aggression in the first half of the Twentieth Century, and the still unresolved border issues in the South China Sea involving China, Vietnam and the Philippines. The Group has also continued to produce insightful and objective documentaries on developments in North Korea. The Group provided extensive coverage of the Asia-Pacific Economic Cooperation (APEC) meeting that was held in Beijing, which was attended by many leaders of the Asia-Pacific region, including President Obama.

The management of the Group is also conscious that Phoenix has now been operating for almost 20 years, and that many of its founding executives who made a major contribution to the Group's successful establishment and development have now reached retirement age. As these company elders have moved out of their original roles, the door has been opened for a range of new and innovative managers and executives to enter the top ranks of the Group, and bring a very modern and innovative perspective to the strategy that the company should adopt to ensure its development over the coming years. In short, the Group is well placed to respond effectively to the economic challenges it currently faces and the development of the new and extremely popular new media world.