

# Report of Directors

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

## 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 89.

The Board recommends the payment of a final dividend of 4 Hong Kong cents per ordinary Share, totalling approximately HK\$199,908,000 to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2015, Monday. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on or around 30 June 2015, Tuesday.

## Closure of Register of Members

The register of members of the Company will be closed from 3 June 2015, Wednesday to 5 June 2015, Friday (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 2 June 2015, Tuesday.

The register of members of the Company will be also closed from 11 June 2015, Thursday to 15 June 2015, Monday (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 10 June 2015, Wednesday.

## 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 35 to the consolidated financial statements.

## Donations

Charitable donations made by the Group during the year amounted to HK\$3,995,000 (2013: HK\$4,282,000).

## 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.

## Investment Properties

Details of the movement in investment properties 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 33 and Note 34, 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 2014, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$252,239,000 (2013: HK\$508,803,000).

## 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 222.

## 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 Shares during the year.

# Report of Directors

## 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 9.87% 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, 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:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in an option which is vested and exercisable</b>
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 established for administration of the Post IPO Share Option Scheme 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 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 31 December 2014
					Balance as at 1 January 2014	Lapsed during the year	Exercised during the year	
15 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	5,182,000	–	(426,000)	4,756,000

During the year ended 31 December 2014, 426,000 options granted to employees of the Group were exercised. At the date before the options were exercised, the weighted average market price was HK\$2.63.

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

During the year ended 31 December 2014, no option was granted to the Directors, chief executives 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.

## 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.

##### *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 Group, including any director of the Group, 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 9.91% 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 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:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in an option which is vested and exercisable</b>
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.

## 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 2014
					Balance as at 1 January 2014	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	1,854,000	-	-	(82,000)	1,772,000
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
508 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	87,370,000	-	(2,010,000)	-	85,360,000
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
Total:					104,714,000	-	(2,010,000)	(82,000)	102,622,000

During the year ended 31 December 2014, 2,010,000 options granted to 26 employees were lapsed when they ceased employment with the Company.

During the year ended 31 December 2014, 82,000 options were exercised. At the date before the options were exercised, the weighted average market price was HK\$2.94. Save as disclosed above, no options was granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executives 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.



# Report of Directors

## Share Option Schemes (Continued)

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

#### (1) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme (“PNM Share Option Scheme”) of 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 of PNM (“PNM 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 of PNM Shares in issue on 20 June 2008, being the effective date of PNM Share Option Scheme.

On 8 June 2012, the Shareholders approved to refresh and renew the scheme mandate limit of the PNM Share Option Scheme and any other share option schemes of PNM to enable grant of further options to subscribe for up to 31,410,107 Class A ordinary of PNM Shares, representing 10% of Class A ordinary PNM Shares in issue on 8 June 2012.

On 5 June 2014, the extraordinary general meeting (“EGM”) of the Company passed the refreshment of scheme mandate limit under the PNM Share Option Scheme. Based on 284,014,925 Class A ordinary PNM Shares in issue, the scheme mandate limit has been “refreshed” to enable grant of further options to subscribe for up to 28,401,492 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue as at the date of the EGM.

## Share Option Schemes (Continued)

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

#### (1) PNM Share Option Scheme (Continued)

##### *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 5:00 p.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.

# Report of Directors

## Share Option Schemes (Continued)

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

#### (1) 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 2014, 21,052,758 options were granted to eligible persons consisting of staff of Fenghuang On-line (Beijing) Information Technology Company Limited, a wholly-owned subsidiary of PNM, under the PNM Share Option Scheme.

During the year ended 31 December 2014, 3,423,464 options granted to 44 employees were exercised at US\$0.03215 per share. At the date before the options were exercised, the weighted average market price was US\$1.30.

During the year ended 31 December 2014, 3,118,558 options granted to 39 employees were exercised at US\$0.4459 per share. At the date before the options were exercised, the weighted average market price was US\$1.30.

During the year ended 31 December 2014, 4,013,850 options granted to 16 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 PNM share (US\$)	Number of share options				Balance as at 31 December 2014
				Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	
LIU Shuang (Note)	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	-	-	-	2,900,000
LI Ya (Note)	2013.12.10	2014.12.10-2023.12.09	1.08443	1,900,000	-	-	-	1,900,000
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	5,763,500	-	-	(2,363,648)	3,399,852
	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	24,000	-	-	(24,000)	-
	2008.07.04	2008.07.31-2018.05.25	0.03215	1,200	-	-	(1,200)	-
	2008.07.04	2008.08.20-2018.05.25	0.03215	6,000	-	-	(6,000)	-
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	-	-	-	3,375

## Share Option Schemes (Continued)

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

#### (1) PNM Share Option Scheme (Continued)

*The remaining life of the scheme (Continued)*

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US\$)	Number of share options				Balance as at 31 December 2014
				Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	-	-	-	16,500
	2008.07.04	2008.10.08-2018.05.25	0.03215	12,000	-	-	(12,000)	-
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	-	-	-	4,500
	2008.07.04	2008.10.22-2018.05.25	0.03215	16,000	-	-	(12,000)	4,000
	2008.07.04	2008.10.23-2018.05.25	0.03215	6,750	-	-	-	6,750
	2008.07.04	2008.12.17-2018.05.25	0.03215	12,000	-	-	(6,000)	6,000
	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	6,000	-	-	-	6,000
	2008.07.04	2009.01.15-2018.05.25	0.03215	439,504	-	-	-	439,504
	2008.07.04	2009.02.25-2018.05.25	0.03215	3,000	-	-	-	3,000
	2008.07.04	2009.02.26-2018.05.25	0.03215	3,375	-	-	-	3,375
	2008.07.04	2009.03.10-2018.05.25	0.03215	20,093	-	-	(8,593)	11,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	-	-	-	2,475

# Report of Directors

## Share Option Schemes (Continued)

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

#### (1) PNM Share Option Scheme (Continued)

*The remaining life of the scheme (Continued)*

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US\$)	Number of share options				Balance as at 31 December 2014
				Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	
	2008.07.04	2009.03.21-2018.05.25	0.03215	12,000	-	-	-	12,000
	2008.07.04	2009.03.24-2018.05.25	0.03215	20,000	-	-	-	20,000
	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	2009.04.15-2018.05.25	0.03215	4,000	-	-	(4,000)	-
	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	16,688	-	-	(6,000)	10,688
	2008.07.04	2009.05.26-2018.05.25	0.03215	167,587	-	-	(71,000)	96,587
	2009.07.31	2009.07.31-2018.05.25	0.03215	450	-	-	-	450
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	-	-	-	781,250
	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	2010.03.11-2018.05.25	0.03215	26,000	-	-	(26,000)	-
	2009.07.31	2010.03.17-2018.05.25	0.03215	32,000	-	-	(32,000)	-

## Share Option Schemes (Continued)

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

#### (1) PNM Share Option Scheme (Continued)

*The remaining life of the scheme (Continued)*

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US\$)	Number of share options				Balance as at 31 December 2014
				Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	-	-	-	5,250
	2009.07.31	2010.05.18-2018.05.25	0.03215	100,625	-	-	(4,624)	96,001
	2009.07.31	2010.06.22-2018.05.25	0.03215	12,800	-	-	(12,800)	-
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	-	-	-	61,600
	2009.09.15	2010.09.15-2018.05.25	0.03215	1,187,224	-	-	(299,724)	887,500
	2010.01.08	2011.01.08-2018.05.25	0.03215	104,400	-	-	-	104,400
	2010.07.01	2008.03.05-2018.05.25	0.03215	135,000	-	-	-	135,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	-	-	-	26,000
	2010.07.01	2010.10.09-2018.05.25	0.03215	5,000	-	-	-	5,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	300,000	-	-	(80,000)	220,000
	2010.07.01	2011.06.07-2018.05.25	0.03215	56,250	-	-	-	56,250
	2010.07.01	2011.07.01-2018.05.25	0.03215	881,875	-	-	(421,875)	460,000
	2013.03.15	2014.03.15-2023.03.14	0.44593	17,308,400	-	(1,393,850)	(3,118,558)	12,795,992
	2013.10.01	2014.10.01-2023.09.30	0.78670	150,000	-	-	-	150,000
	2013.10.08	2014.10.08-2023.10.07	0.82490	6,174,500	-	(405,000)	-	5,769,500
	2013.12.10	2014.12.10-2023.12.09	1.08443	900,000	-	(900,000)	-	-
	2014.03.14	2015.03.14-2024.03.13	1.31000	-	1,330,000	(350,000)	-	980,000
	2014.06.04	2015.06.04-2024.06.03	1.27490	-	1,014,807	-	-	1,014,807
	2014.06.05	2015.06.05-2024.06.04	1.27490	-	900,000	(100,000)	-	800,000
	2014.07.11	2015.07.11-2024.07.10	1.30350	-	17,648,000	(865,000)	-	16,781,000
	2014.10.11	2015.10.11-2024.10.10	0.82490	-	161,951	-	-	161,951
Total:				39,770,121	21,052,758	(4,013,850)	(6,542,022)	50,267,007

# Report of Directors

## Share Option Schemes (Continued)

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

#### (2) 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:

Type of remaining grantees	Date of grant	Vesting commence date	Number of RSU				Balance as at 31 December 2014
			Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	
Employees	2011.03.17	2010.01.04	18,750	–	–	(18,750)	–
	2011.03.17	2010.01.08	3,313	–	–	(3,313)	–
	2011.03.17	2010.01.15	188	–	–	(188)	–
	2011.03.17	2010.01.18	125	–	–	(125)	–
	2011.03.17	2010.01.20	6,250	–	–	(6,250)	–
	2011.03.17	2010.01.21	188	–	–	(188)	–
	2011.03.17	2010.01.27	1,250	–	–	(1,250)	–
	2011.03.17	2010.02.01	1,250	–	–	(1,250)	–
	2011.03.17	2010.02.05	125	–	–	(125)	–
	2011.03.17	2010.02.20	125	–	–	(125)	–
	2011.03.17	2010.03.01	1,250	–	–	(1,250)	–
	2011.03.17	2010.03.08	12,500	–	–	(12,500)	–
	2011.03.17	2010.03.18	376	–	–	(376)	–
	2011.03.17	2010.03.19	1,126	–	–	(1,126)	–
	2011.03.17	2010.03.21	63	–	–	(63)	–
	2011.03.17	2010.03.23	6,250	–	–	(6,250)	–
	2011.03.17	2010.03.26	125	–	–	(125)	–
	2011.03.17	2010.03.29	2,625	–	(2,500)	(125)	–
	2011.03.17	2010.04.06	313	–	–	(313)	–
	2011.03.17	2010.04.12	188	–	–	(188)	–
	2011.03.17	2010.04.13	188	–	–	(188)	–
	2011.03.17	2010.04.16	188	–	–	(188)	–
	2011.03.17	2010.04.19	125	–	–	(125)	–
	2011.03.17	2010.04.21	251	–	–	(251)	–
	2011.03.17	2010.04.23	1,250	–	–	(1,250)	–
	2011.03.17	2010.04.26	2,563	–	(63)	(2,500)	–
	2011.03.17	2010.04.28	188	–	–	(188)	–

## Share Option Schemes (Continued)

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

#### (2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	Number of RSU				Balance as at 31 December 2014
			Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	
	2011.03.17	2010.04.29	18,750	–	–	(18,750)	–
	2011.03.17	2010.05.04	1,689	–	–	(1,689)	–
	2011.03.17	2010.05.11	188	–	–	(188)	–
	2011.03.17	2010.05.14	1,250	–	–	(1,250)	–
	2011.03.17	2010.05.21	501	–	–	(501)	–
	2011.03.17	2010.05.24	126	–	–	(126)	–
	2011.03.17	2010.05.25	188	–	–	(188)	–
	2011.03.17	2010.05.26	63	–	–	(63)	–
	2011.03.17	2010.05.27	125	–	–	(125)	–
	2011.03.17	2010.05.28	1,438	–	–	(1,438)	–
	2011.03.17	2010.06.18	1,688	–	–	(1,688)	–
	2011.03.17	2010.06.21	939	–	–	(939)	–
	2011.03.17	2010.06.25	750	–	–	(750)	–
	2011.03.17	2010.06.28	376	–	–	(376)	–
	2011.03.17	2010.07.01	12,500	–	–	(12,500)	–
	2011.03.17	2010.07.02	250	–	–	(250)	–
	2011.03.17	2010.07.06	250	–	–	(250)	–
	2011.03.17	2010.07.12	1,625	–	–	(1,625)	–
	2011.03.17	2010.07.15	375	–	(188)	(187)	–
	2011.03.17	2010.07.16	375	–	–	(375)	–
	2011.03.17	2010.07.19	2,500	–	–	(2,500)	–
	2011.03.17	2010.07.20	3,250	–	(1,250)	(2,000)	–
	2011.03.17	2010.07.26	750	–	(250)	(500)	–
	2011.03.17	2010.07.30	375	–	–	(375)	–
	2011.03.17	2010.08.03	138,000	–	–	(138,000)	–
	2011.03.17	2010.08.11	37,500	–	–	(37,500)	–
	2011.03.17	2010.08.16	375	–	–	(375)	–
	2011.03.17	2010.08.17	18,625	–	–	(18,625)	–
	2011.03.17	2010.08.24	1,125	–	(313)	(812)	–
	2011.03.17	2010.08.30	375	–	–	(375)	–
	2011.03.17	2010.08.31	2,875	–	(1,250)	(1,625)	–
	2011.03.17	2010.09.07	500	–	–	(500)	–
	2011.03.17	2010.09.08	125	–	(63)	(62)	–
	2011.03.17	2010.09.10	375	–	(188)	(187)	–
	2011.03.17	2010.09.13	375	–	–	(375)	–
	2011.03.17	2010.09.14	2,750	–	–	(2,750)	–



# Report of Directors

## Share Option Schemes (Continued)

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

#### (2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	Number of RSU				Balance as at 31 December 2014
			Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	
	2011.03.17	2010.09.16	125	–	–	(125)	–
	2011.03.17	2010.10.11	250	–	–	(250)	–
	2011.03.17	2010.10.13	250	–	–	(250)	–
	2011.03.17	2010.10.21	250	–	(63)	(187)	–
	2011.03.17	2010.11.21	250	–	(188)	(62)	–
	2011.03.17	2010.12.01	12,500	–	–	(12,500)	–
	2011.03.17	2011.01.11	37,500	–	–	(25,000)	12,500
	2011.03.17	2011.02.14	22,500	–	–	(15,000)	7,500
	2011.03.17	2011.02.21	3,750	–	–	(2,500)	1,250
	2011.03.17	2011.03.01	33,750	–	–	(22,500)	11,250
Total:			425,579	–	(6,316)	(386,763)	32,500

## Share Option Schemes (Continued)

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

#### (2) PNM March 2011 Scheme (Continued)

The particulars and movement of the restricted share ("RS") granted under the PNM March 2011 Scheme during the year are as follows:

Type of remaining grantees	Date of grant	Vesting commence date	Number of RS				Balance as at 31 December 2014
			Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	
Employees	2011.03.17	2010.02.20	7,500	-	-	(7,500)	-
	2011.03.17	2010.02.21	225,000	-	-	(225,000)	-
	2011.03.17	2010.10.25	12,500	-	-	(12,500)	-
	2011.03.17	2010.12.01	375,000	-	-	(375,000)	-
	2011.03.17	2010.12.27	225,000	-	(168,750)	(56,250)	-
Total:			845,000	-	(168,750)	(676,250)	-

Save as disclosed above, no option was granted to the Directors, chief executives 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.

# 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:

SHA Yuejia  
GAO Nianshu  
GONG Jianzhong  
SUN Yanjun

### Independent Non-executive Directors:

LO Ka Shui  
LEUNG Hok Lim  
Thaddeus Thomas BECZAK  
FANG Fenglei

### Alternate Director:

LAU Wai Kei, Ricky (alternate director to SUN Yanjun)

In accordance with Article 87(1) & (2) of the Company's articles of association, Mr. GAO Nianshu, Mr. GONG Jianzhong and Dr. LO Ka Shui retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Dr. LO Ka Shui has served the Board as an Independent Non-executive Director for more than nine years and has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Notwithstanding the length of his tenure, the Board is satisfied that, as well proven by the valuable independent judgment, advice and objective views given by Dr. LO over the years, he is of such character, integrity and experience commensurate with office of an Independent Non-executive Director. The Board is not aware of any circumstance that might influence Dr. LO's independence.

## Confirmation of Independence

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

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

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

### CHUI Keung

#### New appointments

Phoenix Property Investment Holding Limited – director

Phoenix Property Development Limited – director

### GAO Nianshu

#### New appointment

True Corporation Public Company Limited\* – director and member of finance committee

### SUN Yanjun

#### New appointment

中國建材股份有限公司 (China National Building Materials Company)# – independent non-executive director and a member of the audit committee and strategic steering committee

### LO Ka Shui

#### New appointment

Langham Hospitality Investments Limited – chairman and non-executive director

\* This company is listed on The Stock Exchange of Thailand

# This company is listed on the main board of the Stock Exchange

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

## Directors' Service Contracts

On 17 November 2009, each of Mr. LIU Changle and Mr. CHUI Keung, executive Directors entered into a service contract with the Company for a term of three years commencing from 1 July 2009. On 1 July 2012, the service contracts of both of Mr. LIU Changle and Mr. CHUI Keung expired and were renewed for a term of another three years commencing from 1 July 2012 subject to termination by either party giving to the other not less than three months' written notice. None of the Director who is proposed for re-election at the forthcoming AGM has service contract with the Company.

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 CG Code.

# Report of Directors

## 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 2014, the interests and short positions of the Directors and chief executives 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 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") of 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 as at 31 December 2014
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.15%
LO Ka Shui (Note 3)	9,756,000	—	9,756,000	Long	0.20%

Notes:

- As at 31 December 2014, the number of the issued Shares of the Company was 4,997,695,500.
- As at 31 December 2014, 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 37.10% of the issued share capital of the Company.
- As at 31 December 2014, 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.

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

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

Name	Number of class A ordinary of PNM Shares			Position	Approximate shareholding percentage as at 31 December 2014
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.55%
LO Ka Shui	727,800	–	727,800	Long	0.27%

Notes:

- As at 31 December 2014, the number of the issued Class A ordinary PNM Shares was 269,151,490.
- PNM is a non-wholly owned subsidiary of the Company.
- As at 31 December 2014, 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 0.55% of the issued class A ordinary of PNM Shares.

### (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 2014
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 2014, 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.

# Report of Directors

## 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 relevant committee responsible to administrate the share option schemes 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.

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

As at 31 December 2014, 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:

### (1) Long positions of substantial Shareholders in the ordinary Shares of the Company

Name of substantial Shareholders	Number of Shares	Approximate shareholding percentage as at 31 December 2014
Today's Asia Limited (Note 2)	1,854,000,000	37.10%
Extra Step Investments Limited (Note 3)	983,000,000	19.67%
TPG China Media, L.P. (Note 4)	607,000,000	12.15%

## **Substantial Shareholders' Interests and Short Positions in the shares and underlying shares of the Company (Continued)**

### **(1) Long positions of substantial Shareholders in the ordinary Shares of the Company (Continued)**

Notes:

1. As at 31 December 2014, the number of issued Shares of the Company was 4,997,695,500.
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 ("CMHKG") which in turn is a subsidiary of China Mobile Communications Corporation ("CMCC"). By virtue of the SFO, CMCC and CMHKG are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. SHA Yuejia and Mr. GAO Nianshu, both non-executive Directors, are respectively executive director and vice president of China Mobile Limited and general manager of the Department of Market Operation of CMCC. Dr. LO Ka Shui, an independent non-executive Director, is an independent non-executive director of China Mobile Limited.
4. TPG China Media, L.P. is controlled by TPG Asia Advisors VI DE, Inc., which in turn is ultimately controlled by Mr. David BONDERMAN and Mr. James G. COULTER. By virtue of the SFO, TPG Asia Advisors VI DE, Inc., Mr. David BONDERMAN and Mr. James G. COULTER are all deemed to be interested in the 607,000,000 Shares held by TPG China Media, L.P. Mr. SUN Yanjun and Mr. LAU Wai Kei Ricky, being the non-executive Director and alternate Director, are both managing director and partner of TPG.



# Report of Directors

## Substantial Shareholders' Interests and Short Positions in the shares and underlying shares of the Company (Continued)

### (2) 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 as at 31 December 2014
China Wise International Limited (Note 2)	412,000,000	8.24%

Notes:

- As at 31 December 2014, the number of issued Shares of the Company was 4,997,695,500.
- 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. 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 executives of the Company) known to the Directors or the chief executives of the Company, who, as at 31 December 2014, 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:

	<b>Year 2014</b>	Year 2013
Programme purchases		
– the largest supplier	<b>9%</b>	10%
– five largest suppliers	<b>33%</b>	37%
Sales		
– the largest advertising end-customer	<b>2%</b>	2%
– five largest advertising end-customers	<b>6%</b>	8%

The largest advertising end-customer during the year ended 31 December 2014 is represented by CMCC and its subsidiaries ("CMCC Group"). Details of the transactions between the Group and the CMCC Group are set out in Note 44 to the consolidated financial statements. CMCC through a wholly-owned subsidiary of CMHKG, owns 19.67% of the issued share capital 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 executives, or their close associates, or any Shareholders (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.

# Report of Directors

## Continuing Connected Transactions

Certain related party transactions entered into by the Group during the year ended 31 December 2014, which also constitute continuing connected transactions under the Listing Rules, are disclosed in Note 44 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.

1. Provision of website portal, value-added telecommunications, promotional and ancillary services by and to the Company's indirectly-owned subsidiary, Phoenix New Media Limited ("PNM"), and together with its subsidiaries (collectively, the "PNM Group") to and by the China Mobile Communications Corporation and its subsidiaries ("CMCC Group") ("New Media CCT").

On 25 October 2012, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under the then Rule 14A.35(1) to enter into a framework agreement with the CMCC Group at the outset covering all of the expected New Media CCT for the three years from 1 January 2013 to 31 December 2015, subject to the conditions disclosed in the announcement published on 26 October 2012.

On 5 December 2012, the independent shareholders of the Company ("Independent Shareholders") approved and confirmed the New Media CCT between the PNM Group and the CMCC Group for the three years from 1 January 2013 to 31 December 2015 and the relevant annual caps of RMB552,260,472 (approximately HK\$673,757,776), RMB622,489,019 (approximately HK\$759,436,603) and RMB729,455,470 (approximately HK\$889,935,673) for each of the three years ending 31 December 2013, 2014 and 2015 respectively at the extraordinary general meeting of the Company held on 5 December 2012.

The aggregate service charges received/receivable by the PNM Group from the CMCC Group, and the aggregate service charges paid/payable by the PNM Group to the CMCC Group for the year ended 31 December 2014 amounted to approximately RMB173,104,000 (HK\$218,250,000) and RMB41,428,000 (HK\$52,233,000) respectively, whereas, for the year ended 31 December 2013, approximately RMB180,360,000 (HK\$227,086,000) and RMB72,647,000 (HK\$91,468,000) respectively.

China Mobile (Hong Kong) Group Limited ("CMHKG") a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is a substantial shareholder of the Company holding approximately 19.67% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. Since the CMCC Group are connected persons of the Company, the New Media CCT constituted continuing connected transactions of the Company under the Listing Rules.

## Continuing Connected Transactions (Continued)

2. On 30 December 2013, Phoenix Satellite Television Company Limited (“Phoenix HK”), through its PRC advertising agent, 神州電視有限公司 (Shenzhou Television Company Limited) (“Shenzhou”) entered into an advertising contract (the “2014 Contract”) with CNHK Media Limited (“CNHK Media”) 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 2014 to 31 December 2014 for the sum not exceeding RMB75,000,000 (approximately HK\$95,445,000) for promoting the CMCC Group. For the year ended 31 December 2014, the advertising sales to CMCC Group amounted to approximately HK\$44,914,000 (2013: HK\$65,140,000).

Since the CMCC Group are connected persons of the Company. The transactions under the 2014 Contract constituted continuing connected transactions for the Company under the Listing Rules.

3. (a) On 18 June 2013, Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited) (“PMM Beijing”) entered into an outdoor advertising contract (“2013 Guangdong Outdoor Advertising Contract”) with 深圳市中港文化傳播有限責任公司 (“Shenzhen Media”), relating to placing advertisement for and on behalf of the CMCC Group on outdoor LED panels operated by PMM Beijing and/or its subsidiaries in Guangdong Province for the period from 1 July 2013 to 31 December 2014 for the sum of no more than RMB10,000,000 (approximately HK\$12,640,000) for promoting the CMCC Group.
- (b) On 6 December 2013, PMM Beijing entered into another outdoor advertising contract (“2013 PRC Outdoor Advertising Contract”) with 中國移動通信有限公司 (China Mobile Communication Company Limited) (“CMC”), an indirect subsidiary of CMHKG, relating to placing advertisement in the PRC on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in PRC for the period from 6 December 2013 to 31 March 2014 for the sum of no more than RMB15,000,000 (approximately HK\$19,089,000) for promoting the CMCC Group.
- (c) On 18 August 2014, PMM Beijing entered into an outdoor advertising contract (“2014 PRC Outdoor Advertising Contract”) with CMC relating to the placing of advertisement on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 18 August 2014 to 31 March 2015 for the maximum contract sum of RMB15,453,300 (approximately HK\$19,316,625) for promoting the CMCC Group.



# Report of Directors

## Continuing Connected Transactions (Continued)

3. (Continued)

- (d) On 9 October 2014, PMM Beijing entered into another outdoor advertising contract (“CMGD Outdoor Advertising Contract”) with 中國移動通信集團終端有限公司 (China Mobile Group Device Co., Ltd.) (“CMGD”), a subsidiary of CMC, relating to the purchase of advertising airtime by CMGD on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 9 October 2014 to 31 March 2015 for a maximum contract sum of no more than RMB2,500,000 (approximately HK\$3,156,000) for promoting the customized mobile phone devices business of the CMCC Group.

For the year ended 31 December 2014, the advertising sales to the CMCC Group amounted to approximately HK\$11,817,000 (2013: HK\$4,589,000).

Since the CMCC Group are connected persons of the Company, the transactions under the 2013 Guangdong Outdoor Advertising Contract, the 2013 PRC Outdoor Advertising Contract, 2014 PRC Outdoor Advertising Contract and CMGD Outdoor Advertising Contract respectively constituted continuing connected transactions of the Company under the Listing Rules.

### **Continuing Connected Transactions (Continued)**

In accordance with Rule 14A.55 of the Listing Rules, 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 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 to the Board of Directors containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 80 to 83 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

# Report of Directors

## Contractual Arrangements of PNM Group

Foreign investment in the internet and mobile services industries is currently prohibited or restricted in China. The internet business of the Group in China is operated by PNM through contractual arrangements with the legal shareholders of its variable interest entities, among others, Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying"). The Group does not have equity interests in Tianying or its subsidiaries. However, as a result of a series of structured contracts (the "Structured Contracts") entered into on 31 December 2009 by a subsidiary of PNM, Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), the Group has become the primary beneficiary of Tianying and its subsidiaries and account for them as its indirect subsidiaries under Hong Kong Financial Reporting Standards ("HKFRS"). As at the date of this report, Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the authorised business scope of Tianying includes provision of advertising services and paid services, mobile value-add services and games and others. Tianying holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

The Group has consolidated the financial results of Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2014, Tianying and its subsidiaries accounted for 41.5% of the total revenues and 15.6% of the total assets of the Group.

The Group has evaluated the relationship among PNM, Fenghuang On-line and Tianying in accordance with HKFRS. Pursuant to the Voting Right Entrustment agreement, PNM has obtained power, as granted to the legal shareholders by the applicable PRC law and under the articles of association of Tianying, to direct all significant activities of Tianying, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Tianying in the form of technical service fees, which could potentially be significant to Tianying's net income. In addition, PNM has the right to receive all the residual assets of Tianying through exercise of the Exclusive Option agreement. As a result, the Group, through PNM and Fenghuang On-line, is considered the primary beneficiary of Tianying and therefore includes Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Tianying, the Group has the power to direct the activities of Tianying, and can freely have assets transferred out of Tianying's without any restrictions.

Details of the Structured Contracts and the related information were set out in the Company's announcement dated 9 November 2009 (the "Company's Announcement").

There were no material changes to the Structured Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed.

The reasons for using the Structured Contracts were disclosed in the sub-section headed “Reasons for and benefits of the Acquisitions” under the section headed “Reasons For And Benefits Of The Transaction” of the Company’s Announcement.

The major risks associated with them include, among others:

1. If the PRC government finds that the agreements that establish the structure for operating its businesses in China do not comply with PRC governmental restrictions on foreign investment in Internet businesses, or if these regulations or the interpretation of existing regulations change in the future, the Group would be subject to severe penalties or be forced to relinquish its interests in those operations.
2. The Group relies on contractual arrangements with Tianying in China, and their legal shareholders, for its business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.
3. The legal shareholders of Tianying may have potential conflicts of interest with the Group.

For details of the above-mentioned risks during the reporting period, please refer to “Item 3. Key Information – D. Risk Factors – Risks Relating to Our Corporate Structure” of the 2013 Annual Report of PNM disclosed in its website ([ir.ifeng.com](http://ir.ifeng.com)).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC, or (the “MOFCOM”) released on its Website for public comment a proposed PRC law (the “Draft FIE law”) that appears to include variable interest entities within the scope of entities that could be considered to be foreign invested enterprises that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. The Group will closely monitor any progress of legislation of the Draft FIE law.

## Competing Business

As at the latest practicable date prior to printing of this report, none of the Directors nor 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 and which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.



# Report of Directors

## Advances to an Entity

Details of the relevant advance to an entity from the Group 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 34 to 45 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 total issued share capital of the Company as required under the Listing Rules.

## Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2014 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 AGM.

On behalf of the Board

**LIU Changle**

*Chairman*

Hong Kong, 17 March 2015

