

Chairman's Statement







The Group's revenue and operating profit for the year ended 31 December 2015 were approximately HK\$4,200,895,000 and HK\$314,470,000 respectively, which represented a decrease of 9.0% and 65.1% respectively compared to the previous year.

Chairman's Statement

5



Financial Summary

-  Revenue for the year ended 31 December 2015 was approximately HK\$4,200,895,000, which represented a decrease of 9.0% over the previous year.
-  Operating profit for the year ended 31 December 2015 was approximately HK\$314,470,000, which represented a decrease of 65.1% over the previous year.
-  Profit attributable to owners of the Company was approximately HK\$110,349,000, which represented a decrease of 83.4% over the previous year.
-  The board of directors of the Company (the "Board") recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company.

Results

The revenue of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Phoenix") for the year ended 31 December 2015 was approximately HK\$4,200,895,000 (year ended 31 December 2014: HK\$4,618,365,000), which represented a decrease of 9.0% over 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 4.6% to approximately HK\$3,886,425,000 (year ended 31 December 2014: HK\$3,716,584,000). The upward movement in operating costs was mainly due to the expansion of the new media business and the depreciation of the Phoenix International Media Centre in Beijing.

The operating profit of the Group for the year ended 31 December 2015 was approximately HK\$314,470,000 (year ended 31 December 2014: HK\$901,781,000), which represented a decrease of 65.1% compared to the previous year.

Fair value gain of approximately HK\$98,939,000 (year ended 31 December 2014: HK\$175,777,000) was recognized for the investment properties in Beijing and London.

The net exchange loss of the Group for the year ended 31 December 2015 was approximately HK\$57,213,000 (net exchange loss for the year ended 31 December 2014: HK\$14,325,000) resulting from the depreciation of the Renminbi.

The profit attributable to owners of the Company was approximately HK\$110,349,000 (year ended 31 December 2014: HK\$663,710,000), which represented a decrease of 83.4% compared to the previous year.

Chairman's Statement



The chart below summarises the performance of the Group for the year ended 31 December 2015 and the year ended 31 December 2014 respectively:

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Television broadcasting	1,598,095	1,997,976
New media	1,920,708	1,989,680
Outdoor media	571,521	553,604
Real estate	14,650	3,713
Other businesses	95,921	73,392
Group's total revenue	4,200,895	4,618,365
Operating costs	(3,886,425)	(3,716,584)
Operating profit	314,470	901,781
Fair value gain on investment properties	98,939	175,777
Fair value (loss)/gain on derivative financial instruments	(46,787)	37,801
Exchange loss, net	(57,213)	(14,325)
Other income, net	19,841	81,974
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	329,250	1,183,008
Share of results of joint ventures and associates	(37,543)	(21,226)
Income tax expense	(139,876)	(251,322)
Profit for the year	151,831	910,460
Non-controlling interests	(41,482)	(246,750)
Profit attributable to owners of the Company	110,349	663,710
Basic earnings per share, Hong Kong cents	2.21	13.28

Chairman's Statement

7



Business Overview and Prospects

The Group has continued to face serious economic challenges that have been generated by the slow down in the Chinese economy, which in turn has been influenced by the downward movement of global economic trends. Chinese advertisers, who were a major source of revenue for the Group, have become more cautious in placing advertisements. In addition, the rapid growth of internet and new media platforms also posed challenges to the Group's traditional television business. As a result, while the Group's income is still sufficient to generate a profit over the last financial year, it is less than in previous years.

Despite the adverse economic environment and the advertisers adopting a more cautious approach in placing advertisements, the Phoenix Chinese Channel and Phoenix InfoNews Channel have continued to produce extremely high quality and professional programs as a commitment to the audiences. The Phoenix coverage of international events has been extremely timely and informative by world standards. The major international news stories Phoenix covered included the 70th anniversary celebrations of the victory over the fascist countries in 1945, the refugee crisis that has been developing in Europe as a consequence of the wide-spread violence and conflict in Syria, Iraq and other Middle Eastern countries, and the series of terrorist attacks that broke out in Paris and led to the death of 130 victims from 26 countries. Phoenix reported the first general election that has been held in Myanmar in 25 years, about which Phoenix provided first-hand coverage of the entire voting process from the setting up of the polling stations to vote counting. Phoenix reporting also covered the devastating earthquake that struck Nepal in April, providing continuous coverage in the earthquake areas for one week and conducting exclusive interviews with Nepal's Prime Minister, Minister of Finance, Minister of Home Affairs and Chief Secretary.

Phoenix also featured extensive coverage of developments related to Mainland China, including the spectacular victory day military parade on 3 September 2015 that celebrated the victory over Japan at the end of the Second World War. Another major event was the meeting that took place between President Xi Jinping and Taiwan's leader Ma Ying-jeou in Singapore, which was the first meeting between leaders of Mainland China and Taiwan in 60 years. Phoenix sent four teams of reporters to cover this historic event and produced a four-hour non-stop live broadcast for Chinese communities around the world.

Phoenix also featured extensive news coverage of developments in Taiwan, including the crash of a TransAsia Airways' plane near downtown Taipei, with the Phoenix Taipei station providing full coverage of the incident.

Chairman's Statement



Phoenix has also conducted in-depth interviews with major international figures, including the United States Secretary of State John Kerry, the President of Syria Bashar al-Assad, the Prime Minister of Pakistan, the Austrian President, and the Foreign Ministers of Italy, Tajikistan, Ghana, and the former Japanese Prime Minister Fukuda Yasuo. In June, Phoenix conducted an exclusive interview with Abe Shinzo, the Prime Minister of Japan, being his first exclusive interview with a Chinese reporter. Abe mentioned his "persistence of no more war" and hoped to maintain "a friendly relationship between Japan and China", drawing high attention from Mainland and overseas Chinese media, Japanese media and mainstream foreign media. As a Japanese media entity put it, "Abe showed positive gesture to China in a rare occasion", and this demonstrated Phoenix's significant role and irreplaceable value as a media group in the Sino-Japanese relations.

The coverage of international news gives Phoenix a unique place in the Chinese media world, but Phoenix programs on culture, entertainment and the social problems faced by many poverty-stricken Chinese also attract a significant number of audiences and present a lot of very distinctive insights into the world outside international politics. In summary, the Group continues to produce highly attractive programming. The quality of Phoenix's programming has been reflected in a number of awards that the Group received in 2015. For instance, Phoenix won the award for being the number one of the Top Ten Weibo Most Influential Hong Kong Media in 2014. At the New York Festivals World's Best TV and Film 2015 Gala Phoenix's "Somewhere Out There" won the Silver World Medal for Best Direction and Best Camerawork in the Music Video Category, and "Phoenix Afternoon Express" secured a Finalist Certificate in News Promotion.

While economic trends, both in China and the world at large, have posed serious problems for the Group's business performance, Phoenix still remains one of the outstanding media entities in the Asian region, which is reflected in a number of awards it has received. At the tenth "500 Strongest Brands in Asia", which was organized by the World Brand Laboratory and the World Executive Group, Phoenix was named for the tenth time as one of the "500 Strongest Brands in Asia", with a ranking that was eleven places higher than last year. Phoenix was also named as one of the four most influential television media brands in Asia. At the 2015 Asian Television Awards event, which was held in Singapore, the Chairman and Chief Executive Officer of Phoenix Television, Mr. Liu Changle, received the Outstanding Contribution to Asian Television Award. The problems facing Phoenix are clearly not a consequence of any decline in the quality of Phoenix programming or reputation, but of broader economic trends.

In the face of the financial pressures generated by the decline in Chinese economic growth rate, the Company has sought to introduce policies that would reduce the operational costs and thus maintain the Company's income while at the same time reducing expenditure. This approach has led the Company to integrate a number of television departments, including the Production Department, the Production Services Department, the Engineering Department, and the Image Design and Coordination Department, into a single management system that reports directly to the top channel management. This approach reduces the number of employees required by the Company and also reduces the expenditure required to maintain programming and broadcasting.

Chairman's Statement

9



A further step the Group has taken to reduce operational losses was the decision in late 2015 to discontinue Phoenix U Radio's digital audio broadcasting services. Initially opened in early 2012, Phoenix U Radio failed to develop sufficient audience to generate the necessary advertising income since Hong Kong has not caught on to the use of digital audio broadcast receivers (especially in motor vehicles), and also because of the financial challenges caused by the downward movement in the Chinese economy. As a result of these financial pressures, the management decided to safeguard the interest of the shareholders of the Company and cease the broadcasting of Phoenix U Radio.

Despite these challenges, the Group's long-term future is still considered to be optimistic. Phoenix will continue to produce extremely high quality programming and strive to maintain a high position in the Asian media world. Aside from traditional television business, the Group will continue to adopt the diversification strategy and actively explore opportunities in mobile and internet-related businesses with an attempt to strengthen its competitiveness and cater to the fast-growing mobile internet market. As a consequence of this well-based strategy, Phoenix believes that the Group could overcome any challenge to its long-term performance and viability.

