

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 2016.

Business Review

A review of the Group's business is set out on pages 10 to 11 of this report titled "Business Overview and Prospects" (the "Business Overview"). The Board is satisfied that the Business Overview together with the financial and non-financial information contained in this section is a fair description of the Group's business and the external environment in which the Group operates, consistent with the scope of the consolidated financial statements and dealing even-handedly with both the favourable and adverse factors. To summarise the Business Overview, the objectives, strategy and business model of the Group is to emphasise its two main areas of business, namely television broadcasting and the internet business based on ifeng.com. In the face of the continuing financial pressures generated by the decline in China's economic growth rate, the Company has sought to introduce policies that would reduce the operational expenditure and thus ensure that the Company remains profitable. This approach has led the Company to integrate a number of program production departments 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 cost of programming and broadcasting. Thus, while the Group will maintain its traditional business model, and will continue to generate new programs, it will attach a high priority to refining the Company's structure so that it can reduce the financial demands of the Group's major business activities.

The strength in the Group's brand and reputation together with quality intellectual property rights are the principal drivers of the Group's performance.

The "Comments on Segmental Information" set out on pages 31 to 32 and "Liquidity and Financial Resources" set out on page 34 of this report provided analysis of the amounts of revenue, result of business segments and gearing ratio of the Group. The operating margin of the Group, based on the profit from operations to revenue, was 4.8% as at 31 December 2016 (as at 31 December 2015: 7.5%). The current ratio of the Group, based on current assets to current liabilities, was 2.7 as at 31 December 2016 (as at 31 December 2015: 3.0). The Group's earnings before interest expenses, taxes, depreciation, and amortization (EBITDA) was HK\$764,915,000 as at 31 December 2016 (as at 31 December 2015: HK\$619,413,000).

The "Chinese Gateway" set out on pages 28 to 29 of this report also provided the audience satisfaction information of the television broadcasting business.

According to iResearch, in December 2016, the online daily unique visitors and monthly unique visitors of the new media business was 37.7 million and 274.1 million respectively and PNM have ranked third among all portals in China in terms of daily unique visitors. According to PNM internal data, the aggregated mobile daily unique visitors from mobile website i.ifeng.com and mobile applications reached 35.0 million in December 2016.

There are a number of principal risks and uncertainties facing the Group as follows, among other things: (i) the PRC regulatory restrictions on the reception and rebroadcasting of foreign satellite television programmes; (ii) the PRC regulatory controls on media content; and (iii) potential PRC regulatory prohibition against the variable interest entity structure in Mainland China through which PNM operates the internet business of the Group in China. Please refer to pages 101 to 103 of this report for the description of and major risks associated with the variable interest entity contractual arrangements between PNM and its subsidiaries (collectively, the "PNM Group").

Business Review (Continued)

The Group's business performance and business risks on the other hand arising from the serious economic challenges caused by the downward movement in China economy as well as the rapid growth of new media are discussed in the section of Business Overview on pages 10 to 11 of this report. Besides, the Group's day-to-day activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's financial risk management and controls are set out in Note 3 to the consolidated financial statements on pages 143 to 155 of this report. The above is not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. The risk profile may change over time as new risks and uncertainties emerge and others cease to be of concern.

The Board closely monitors the above risks and uncertainties considering that any adverse change of these risks and uncertainties would have a material negative effect on the Group's business, financial condition and results of operations. Discussion of the Group's system of risk management and internal controls is contained in the Corporate Governance Report on pages 55 to 57 of this report.

Particulars of the major suppliers and customers of the Group are set out on page 97 of this report. Whereas, key performance indicators in relation to the audience satisfaction are set out on page 29 of this report.

Details of the Group's relationship with its staff are set out on page 35 of this report.

Detailed discussions on the Group's environmental policies, performance and KPIs are contained in the Environmental, Social and Governance Report on pages 60 to 68 of this report.

In addition to the compliance with the Listing Rules and the Code, the Company is committed to duly observe the Securities and Futures Ordinance (Cap. 571) and the Codes on Takeovers and Mergers and Share Buy-backs published by Securities and Futures Commission. The Group has complied with the Broadcasting Ordinance (Cap. 562), the Broadcasting (Miscellaneous Provisions) Ordinance (Cap. 391) and the related subsidiary legislation. The Group has also observed the terms of the Non-Domestic Television Programme Service Licence granted to Phoenix HK and the relevant sections of the Codes of Practice from time to time issued by the Communication Authority. Since the enactment of the Competition Ordinance (Cap. 619), the Group was mindful not to contravene the first conduct rule of the Competition Ordinance while continuously assessing its market power under the second conduct rule of the Competition Ordinance.

Particulars of important events affecting the Group that have occurred since the end of the financial period are set out in the paragraph titled "Other Important Events and Subsequent Events" on pages 36 to 37 of this report and on Note 46 to the consolidated financial statements.

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 19 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 113.

The Board recommends the payment of a final dividend of 1 Hong Kong cent per ordinary Share, totalling approximately HK\$50,010,000 to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2017, Thursday. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on or around 30 June 2017, Friday.

Closure of Register of Members

The register of members of the Company will be closed from 1 June 2017, Thursday to 6 June 2017, Tuesday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming 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 31 May 2017, Wednesday.

The register of members of the Company will also be closed from 13 June 2017, Tuesday to 15 June 2017, Thursday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the forthcoming 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 12 June 2017, Monday.

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 44 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK\$3,254,000 (2015: HK\$1,955,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 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 15 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 2016, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$1,007,763,000 (2015: HK\$1,059,369,000).

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 232.

Purchase, Sale or Redemption of Securities

During the year, the Company has bought back 4,052,000 Shares on the Stock Exchange for a total consideration of HK\$5,042,280. The buy-backs were made for the benefit of the Company and its shareholders as a whole by enhancing the earnings per share of the Company.

Details of the share buy-backs are disclosed as follows:

Date	No. of Shares	Total	Price per Share	
		Consideration HK\$	Highest HK\$	Lowest HK\$
December 2016				
19	1,500,000	1,876,260	1.27	1.23
20	1,000,000	1,239,960	1.24	1.23
21	1,000,000	1,236,260	1.24	1.23
22	352,000	431,100	1.23	1.21
30	200,000	258,700	1.30	1.28
	<u>4,052,000</u>	<u>5,042,280</u>		

The above 4,052,000 Shares repurchased had not been cancelled during the year.

Subsequent to the year under review, the Company had further bought back 3,478,000 Shares. All of the 7,530,000 Shares repurchased during the year and up to the date of this report were cancelled on 2 March 2017.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year.

Equity-linked Agreements

Details of the share options granted in prior years and current year of the Group are set out in Note 33 of the consolidated financial statements and "Share Option Schemes" section contained in this 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 adopted by the Company on 7 June 2000 (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 Group, 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 9.86% 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:

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\$1.00 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.

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 2016
					Balance as at 1 January 2016	Lapsed during the year	Exercised during the year	
13 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	4,450,000	(500,000)	(6,000)	3,944,000

During the year ended 31 December 2016, 500,000 options granted to 1 employee were lapsed when he ceased employment with the Group.

During the year ended 31 December 2016, 6,000 options granted to employees of the Group were exercised. At the date before the options were exercised, the weighted average market price was HK\$1.79.

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

During the year ended 31 December 2016, 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.

The Post-IPO Share Option Scheme expired on 25 March 2017.

Share Option Schemes (Continued)

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

(2) *Summary of 2009 Share Option Scheme*

On 19 June 2009, the Shareholders approved and adopted a share option scheme of the Company ("2009 Share Option Scheme"). The 2009 Share Option Scheme is administered by a committee of four Directors ("2009 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 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 2009 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 Shares in issue.

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the 2009 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%

Share Option Schemes (Continued)

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

(2) *Summary of 2009 Share Option Scheme (Continued)*

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\$1.00 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 2009 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.

The remaining life of the scheme

The 2009 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.

Share Option Schemes (Continued)

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

(2) Summary of 2009 Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

The details of share options granted by the Company under the 2009 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 2016
					Balance as at 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	
2 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	250,000	-	-	-	250,000
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
454 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	81,844,000	-	(1,690,000)	-	80,154,000
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:					97,584,000	-	(1,690,000)	-	95,894,000

During the year ended 31 December 2016, 1,690,000 options granted to 24 employees were lapsed when they ceased their employment with the Group.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executives or substantial Shareholders of the Company, or their respective associates, or to the suppliers of goods or services under the 2009 Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the 2009 Share Option Scheme.

Share Option Schemes (Continued)

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

(3) *Summary of 2017 Share Option Scheme*

On 7 February 2017, the Shareholders approved and adopted the 2017 Share Option Scheme and the cancellation of the outstanding share options (the "Existing Options") granted to directors and employees of the Group to subscribe for a total of 95,894,000 Shares under the 2009 Share Option Scheme adopted by the Company on 19 June 2009 which have not been exercised or lapsed, subject to the Existing Options being surrendered and cancelled. The 2017 Share Option Scheme is administered by the Remuneration Committee.

Purpose of the scheme

The purpose of the scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The participants of the scheme

Any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or invested entities in which any member of the Group holds any equity interest; or any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or invested entities; or any other person (including any employee or director of any business counterparty) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme and any other share option scheme(s) of the Company is 500,099,950 Shares, representing 10.02% 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 eligible participant shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such eligible participant (including both exercised and outstanding options) in any 12-month period exceeding one (1)% of the total number of Shares in issue.

Share Option Schemes (Continued)

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

(3) *Summary of 2017 Share Option Scheme (Continued)*

The maximum entitlement of each participant under the scheme (Continued)

Any further grant of options to an eligible participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant under the 2017 Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over one (1)% of the Shares in issue shall be subject to the Shareholders' approval in general meeting with such eligible participant and his close associates (or his associates if the eligible participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders containing the information required under the Listing Rules. The number of Shares subject to the options to be granted and the terms of the options to be granted to such eligible participants shall be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

Time of exercise of option

An option is exercisable as set out in the offer of the option, which shall, at the discretion of the Directors, commence at any time on or after the offer date and expire no later than the tenth (10th) anniversary of such offer date.

Minimum holding period

The Share Option Scheme does not contain any such minimum period.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK\$1.00 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price in respect of any option under the 2017 Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a Share.

Share Option Schemes (Continued)

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

(3) Summary of 2017 Share Option Scheme (Continued)

The remaining life of the scheme

2017 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.

On 21 March 2017, 91,694,000 share options to subscribe for the ordinary shares of the Company were granted under the 2017 Share Option Scheme, subject to acceptance of the grantees by agreeing to surrender and cancel their same number of existing options under the 2009 Share Option Scheme, details of which are set out below.

Type and number of grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK\$	Number of share options granted (Subject to acceptance of the grantees)
3 Executive Directors					
LIU Changle	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	4,900,000
CHUI Keung	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
WANG Ji Yan	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
LIU Diandian*	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	120,000
* LIU Diandian is a daughter of LIU Changle					
441 employees	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	78,874,000
Total:					91,694,000

Save as disclosed above, no share option had been granted, exercised, lapsed or cancelled since the date of adoption of 2017 Share Option Scheme to the date of this report.

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 the Listing Rules and for so long as PNM remains a subsidiary of the Company, 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 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.

On 20 October 2016, the Shareholders approved the refreshment of the scheme mandate limit under the PNM Share Option Scheme. Based on 256,335,266 Class A ordinary PNM Shares in issue, PNM may grant further options to subscribe for up to 25,633,526 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue on 20 October 2016, being the date of the EGM at which the Company’s shareholders approved the above refreshment of mandate limit and the grant of replacement options as set out in the Company’s circular dated 23 September 2016 (see also “Grant of replacement options” below).

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of 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.

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 2016, 9,991,964 options were granted to eligible persons consisting of staff of wholly-owned subsidiaries of PNM, under the PNM Share Option Scheme all with an exercise price of US\$0.4734 per share.

During the year ended 31 December 2016, 901,300 options granted to 13 employees were exercised at US\$0.03215 per share.

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year ended 31 December 2016, 757,646 options granted to 9 employees were exercised at US\$0.4459 per share.

The weighted average market price of the options exercised during the year ended 31 December 2016 was US\$0.46 per share.

Grant of replacement options

At the EGM of the Company held on 20 October 2016, the Shareholders approved the proposed grant of options under the PNM Share Option Scheme to holders of existing options as replacement options beyond the refreshed limit (i.e. 10% of PNM Shares in issue as at the date of EGM on 20 October 2016). For details, please refer to the Company's circular dated 23 September 2016.

With the approvals of the board of directors and shareholders of PNM and the Company, an option exchange program was implemented from 21 October 2016 to 1 November 2016 whereby the directors, employees and consultants of PNM exchanged options to purchase 21,011,951 Class A ordinary of PNM shares granted under the PNM Share Option Scheme with various exercise prices greater than US\$0.4823 per share (or US\$3.8584 per ADS) for new options granted under the PNM Share Option Scheme with a new exercise price of US\$0.4823 per share and a new vesting schedule that generally adds 12 months to each original vesting date, and the new options would vest no sooner than 1 May 2017.

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options

During the year ended 31 December 2016, 31,017,364 options granted to 88 employees lapsed and were 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 2016
				Balance as at 1 January 2016	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	2,789,677	-	-	-	(564,800)	2,224,877
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	-	-	-	-	6,000
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	-	-	-	-	3,375
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	-	-	-	-	16,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	-	-	-	-	4,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,000	-	-	-	-	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	6,000	-	-	-	-	6,000
	2008.07.04	2008.12.24-2018.05.25	0.03215	3,750	-	-	-	-	3,750
	2008.07.04	2009.01.15-2018.05.25	0.03215	439,504	-	-	-	-	439,504
	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	11,500	-	-	-	(6,000)	5,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	-	-	-	-	2,475
	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	2009.04.07-2018.05.25	0.03215	6,750	-	-	-	-	6,750
	2008.07.04	2009.04.09-2018.05.25	0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.05.12-2018.05.25	0.03215	3,000	-	-	-	(3,000)	-
	2008.07.04	2009.05.19-2018.05.25	0.03215	10,688	-	-	-	-	10,688
	2008.07.04	2009.05.26-2018.05.25	0.03215	68,087	-	-	-	(35,000)	33,087
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	-	-	-	-	781,250
	2009.07.31	2010.02.16-2018.05.25	0.03215	100,000	-	-	-	-	100,000

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options (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 2016
				Balance as at 1 January 2016	Granted during the year	Lapsed during the year	Cancelled 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	96,001	-	-	-	-	96,001
	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	798,300	-	-	-	(104,500)	693,800
	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	-	-	-	(24,000)	111,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	-	-	-	-	26,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	220,000	-	-	-	-	220,000
	2010.07.01	2011.07.01-2018.05.25	0.03215	216,000	-	-	-	(164,000)	52,000
	2013.03.15	2014.03.15-2023.03.14	0.445925	8,243,840	-	(1,631,106)	-	(757,646)	5,855,088
	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	-	-	-	-	2,900,000
	2013.10.01	2014.10.01-2023.09.30	0.78670	56,250	-	-	-	-	56,250
	2013.10.08	2014.10.08-2023.10.07	0.82490	4,832,000	-	(2,092,000)	(2,740,000)	-	-
	2013.12.10	2014.12.10-2023.12.09	1.084425	1,900,000	-	-	(1,900,000)	-	-
	2014.06.04	2015.06.04-2024.06.03	1.274900	939,807	-	(464,807)	(475,000)	-	-
	2014.06.05	2015.06.05-2024.06.04	1.274900	550,000	-	(500,000)	(50,000)	-	-
	2014.07.11	2015.07.11-2024.07.10	1.30350	12,917,500	-	(3,022,500)	(9,895,000)	-	-
	2014.10.11	2015.10.11-2024.10.10	0.824900	161,951	-	-	(161,951)	-	-
	2015.07.16	2016.07.16-2025.07.15	0.91550	7,660,000	-	(1,475,000)	(5,790,000)	-	395,000
	2016.10.17	2017.10.17-2026.10.16	0.47340	-	9,991,964	(410,000)	-	-	9,581,964
	2016.10.21	2017.05.01-2020.07.06	0.48230	-	21,011,951	(410,000)	-	-	20,601,951
Total:				46,117,530	31,003,915	(10,005,413)	(21,011,951)	(1,658,946)	44,445,135

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 ("RSU") and restricted share ("RS") scheme (the "PNM March 2011 Scheme") to grant RSU or RS to the executives, employees or directors of PNM or its affiliates.

All RS and RSU granted under the PNM March 2011 Scheme had been fully vested in 2014 and 2015 respectively, thus there are no RS and RSU movements during the year.

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 during the year.

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 (resigned on 19 August 2016)
GONG Jianzhong
SUN Yanjun
XIA Bing (appointed on 20 August 2016)

Independent Non-executive Directors:

LO Ka Shui (resigned on 1 August 2016)
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei
HE Di (appointed on 20 August 2016)

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. WANG Ji Yan, Mr. SHA Yuejia and Mr. Thaddeus Thomas BECZAK shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Mr. XIA Bing and Mr. HE Di, who were appointed on 20 August 2016 as non-executive Director and independent non-executive Director respectively, will hold office until the next following general meeting of the Company and will be eligible for re-election. Thereafter, they will be subject to rotational requirements and re-election requirements at the annual general meeting in accordance with the articles of association of the Company.

Mr. Thaddeus Thomas BECZAK has served the Board as independent non-executive Director for more than nine years and his re-election will be subject to a separate resolution to be approved by the Shareholders. Mr. BECZAK 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 Mr. BECZAK over the years, Mr. BECZAK is of such character, integrity and experience commensurate with the office of independent non-executive Director. The Board is not aware of any circumstance that might influence Mr. BECZAK's independence and considers the re-election of Mr. BECZAK as independent non-executive Director is in the best interest of the Company and Shareholders as a whole.

Confirmation of Independence

The Company has received from each of Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di their respective annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules as at the date of this report and 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:

LAU Wei Kei, Ricky

New appointment

Wharf T&T Limited (a subsidiary of The Wharf (Holdings) Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited) – director

LEUNG Hok Lim

Resignation

Beijing Hong Kong Exchange of Personnel Care Limited – non-executive director

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 1 July 2015, Mr. LIU Changle and Mr. CHUI Keung, the executive Directors, each entered into a service contract with the Company for a term of three years commencing from 1 July 2015 subject to termination by either party giving to the other not less than three months' written notice. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of 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 CG 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' Permitted Indemnity Provision

As permitted by the Company's Articles of Association, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such indemnity do not extend to any matter in respect of any fraud or dishonesty by such Director. Such provision has been in force for the benefit of the Directors throughout the year and up to the date of this report.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover to the Directors.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2016, 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 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 (excluding share options)

Ordinary shares of the Company

Name	Number of ordinary shares held			Position	Approximate shareholding percentage as at 31 December 2016
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.13%

Notes:

- As at 31 December 2016, the number of the issued Shares of the Company was 5,000,999,500.
- As at 31 December 2016, 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 37.07% of the issued share capital of the Company.

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 2016
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.58%

Notes:

- As at 31 December 2016, the number of the issued Class A ordinary PNM Shares was 256,335,266.
- PNM is a non-wholly owned subsidiary of the Company.
- As at 31 December 2016, 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 0.58% 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 2016
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 2016, 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 relevant committee responsible to administer 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 scheme approved by the Shareholders on 7 June 2000 has no remaining life and no further options can be granted under the scheme.

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 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 2016, 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 2016
Today's Asia Limited (Note 2)	1,854,000,000	37.07%
Extra Step Investments Limited (Note 3)	983,000,000	19.66%
TPG China Media, L.P. (Note 4)	607,000,000	12.14%

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 2016, the number of issued Shares of the Company was 5,000,999,500.
2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% 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. XIA Bing, both non-executive Directors of the Company, are respectively executive director and vice president of China Mobile Limited and general manager of the Marketing Department of CMCC.
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 respectively, are both managing director and partner of TPG.

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 2016
China Wise International Limited (Note 2)	412,000,000	8.24%

Notes:

- As at 31 December 2016, the number of issued Shares of the Company was 5,000,999,500.
- 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 2016, 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 2016	Year 2015
Programme purchases		
– the largest supplier	17%	20%
– five largest suppliers	52%	42%
Sales		
– the largest advertising end-customer	3%	3%
– five largest advertising end-customers	10%	10%

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.

Connected Transactions and Continuing Connected Transactions

Certain related party transactions (as defined in HKAS 24 – Related Party Disclosures) entered into by the Group during the year ended 31 December 2016 are disclosed in Note 42 to the consolidated financial statements. Save as disclosed below, none of the related party transactions falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The following transactions between certain connected persons (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. (a) On 20 July 2015, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, formerly known as 鳳凰都市(北京)廣告傳播有限公司 (Phoenix Metropolis Media (Beijing) Company Limited)) ("Phoenix Metropolis") entered into an outdoor advertising contract ("2015 PRC Outdoor Advertising Contract") with 中國移動通信有限公司 (China Mobile Communication Company Limited) ("CMC") relating to the placing of advertisement on the outdoor LED panels operated by or licensed to Phoenix Metropolis and/or its subsidiaries in the PRC for the period from 20 July 2015 to 31 March 2016 for the maximum contract sum of RMB15,180,000 (equivalent to approximately HK\$18,958,302) for promoting 中國移動通信集團公司 (China Mobile Communications Corporation) and its associates (collectively the "CMCC Group").
- (b) On 20 July 2015, Phoenix Metropolis entered into another outdoor advertising contract ("2015 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 Phoenix Metropolis and/or its subsidiaries in the PRC for the period from 20 July 2015 to 31 March 2016 for a maximum contract sum of no more than RMB7,360,000 (equivalent to approximately HK\$9,191,904) for promoting the customised mobile phone devices business of the CMCC Group.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

- (c) On 26 April 2016, Phoenix Metropolis entered into another outdoor advertising contract ("2016 CMC 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 26 April 2016 to 31 March 2017 for the maximum contract sum of RMB15,930,000 (equivalent to approximately HK\$19,004,490) for promoting the CMCC Group.
- (d) On 26 April 2016, Phoenix Metropolis also entered into another outdoor advertising contract ("2016 CMGD Outdoor Advertising Contract") with CMGD 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 26 April 2016 to 31 March 2017 for a maximum contract sum of no more than RMB7,510,000 (equivalent to approximately HK\$8,959,430) for promoting the customised mobile phone devices business of the CMCC Group.

For the year ended 31 December 2016, the advertising sales between Phoenix Metropolis and the CMCC Group amounted to approximately HK\$21,048,000 (2015: HK\$23,060,000).

CMHKG, a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is a substantial shareholder of the Company holding approximately 19.66% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. Therefore, the CMCC Group are connected persons of the Company. The transactions under the 2015 PRC Outdoor Advertising Contract, 2015 CMGD Outdoor Advertising Contract, 2016 CMC Outdoor Advertising Contract and 2016 CMGD Outdoor Advertising Contract respectively constituted continuing connected transactions of the Company under the Listing Rules. For details, please refer to the Company's announcements dated 20 July 2015 and 26 April 2016, respectively.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

- On 25 October 2012, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rule 14A.35(1) (as then in force) of the then Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all of the expected continuing connected transactions ("New Media CCT") in relation to provision of website portal, value-added telecommunications, promotional and ancillary services by and to PNM Group to and by CMCC Group 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. The then independent shareholders approved and confirmed the New Media CCT and the relevant annual caps for each of the three years from 1 January 2013 to 31 December 2015 at the EGM of the Company held on 5 December 2012. The above arrangement expired at the end of 2015. The Company therefore proposed to renew the above streamlined approach to the New Media CCT, which the Stock Exchange has granted, from strict compliance with the requirement under Rule 14A.34 and Rule 14A.51 of the Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all New Media CCT for the three years from 1 January 2016 to 31 December 2018, subject to the conditions disclosed in the announcement published on 6 November 2015.

On 4 December 2015, the independent Shareholders approved and confirmed the New Media CCT for the three years from 1 January 2016 to 31 December 2018 and the relevant annual caps of RMB260,000,000, RMB286,000,000 and RMB315,000,000 for each of the three years ending 31 December 2016, 2017 and 2018 at the EGM held on 4 December 2015.

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 2016 amounted to approximately RMB91,090,000 (equivalent to approximately HK\$106,821,000) and RMB23,330,000 (equivalent to approximately HK\$27,360,000) respectively, whereas, for the year ended 31 December 2015, RMB161,750,000 (equivalent to approximately HK\$199,842,000) and RMB46,557,000 (equivalent to approximately HK\$57,521,000) respectively.

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. For details, please refer to the Company's announcements dated 6 November 2015 and 4 December 2015, respectively and the circular dated 16 November 2015.

- On 4 December 2015, 北京天盈九州網絡技術有限公司 (Beijing Tianying Jiuzhou Network Technology Co. Ltd., "Beijing Tianying"), a non wholly-owned subsidiary of the Company, entered into a framework agreement with 北京鳳凰理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co. Ltd.) ("LLT") (the "Framework Agreement"), pursuant to which LLT agreed to place, and Beijing Tianying agreed to launch, internet advertisements provided by LLT from time to time on (i) the websites operated by Beijing Tianying, including www.ifeng.com and wap.ifeng.com and (ii) the mobile apps operated by Beijing Tianying, including but not limited to ifeng news and v.ifeng.com, etc. with annual caps of HK\$17,500,000, HK\$38,000,000 and HK\$57,000,000 for each of the years ending 31 December 2015, 2016 and 2017.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

On 17 May 2016, Beijing Tianying and LLT entered into a supplemental Framework Agreement (the "Supplemental Framework Agreement") to revise the annual caps for the years ending 31 December 2016 and 2017 to RMB49,000,000 (equivalent to approximately HK\$58,599,100) and RMB80,000,000 (equivalent to approximately HK\$95,672,000).

For the year ended 31 December 2016, the aggregate transaction amount received/receivable from LLT was approximately RMB42,619,000 (equivalent to approximately HK\$49,979,000).

As Mr. HE Xin, the controlling shareholder of LLT, is the son-in-law of Mr. LIU Changle, who is the Chairman of the Board and the Chief Executive Officer of the Company, LLT is therefore a connected person of the Company under the Listing Rules and accordingly the transaction under Framework Agreement and Supplemental Framework Agreement constituted a continuing connected transaction for the Company under the Listing Rules. For details, please refer to the Company's announcements dated 4 December 2015 and 17 May 2016.

4. On 28 December 2015, Phoenix TV, through its PRC advertising agent, 神州電視有限公司 ("Shenzhou Television Company Limited") ("Shenzhou") entered into an advertising contract (the "2016 Contract") with CNHK Media Limited (中港傳媒有限公司) ("CNHK Media") relating to the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2016 to 31 December 2016 for the maximum contract sum of RMB30,000,000 (equivalent to approximately HK\$36,551,000) for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CNHK Media has entered into a contract with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the benefit and on behalf of the CMCC Group. As such, CNHK Media has entered into the 2016 Contract for the ultimate benefits of the CMCC Group.

On 8 December 2016, Phoenix TV, through Shenzhou, entered into the 2017 Contract with CNHK Media relating to the purchase advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2017 to 31 December 2017 for the sum not exceeding RMB40,000,000 (equivalent to approximately HK\$45,244,000) for promoting the CMCC Group.

For the year ended 31 December 2016, the advertising sales from CNHK Media amounted to approximately RMB16,014,000 (equivalent to approximately HK\$18,599,000).

Since the CMCC Group are connected persons of the Company, the transactions under the 2016 Contract constituted continuing connected transactions for the Company under the Listing Rules. For details, please refer to the Company's announcement dated 28 December 2015.

Connected Transactions and 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 better, on an arm's length basis or 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 the Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 97 to 100 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.

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. The Group does not have equity interests in Beijing 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 Beijing 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, Beijing Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the permitted business items of Beijing Tianying includes: internet information services (excluding information on news, publishing, education, medical health, medicine, medical devices); internet advertising via www.ifeng.com; information services of category II value-added telecommunications services (excluding fixed line telephone information services and internet information services); production and publishing of animation, television entertainment, feature; distribution of published books and journals via internet (including mobile network), publishing of internet game and mobile game; performance agency; retail of books, newspaper, journals, electronic publications and audiovisual products. Whereas the general business items of Beijing Tianying includes: technology development, technology consulting; design, production, agent, publishing of advertisement; organizing cultural exchange activities; organizing exhibitions; enterprise planning; economy and trade consulting; lease of computer and communications equipment (excluding those items without the administrative licensing).

The Group has consolidated the financial results of Beijing Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2016, Beijing Tianying and its subsidiaries accounted for 32.2% of the total revenues and 18.9% of the total assets of the Group.

Contractual Arrangements of PNM Group (Continued)

The Group has evaluated the relationship among PNM, Fenghuang On-line and Beijing 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 Beijing Tianying, to direct all significant activities of Beijing Tianying, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Beijing Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Beijing Tianying in the form of technical service fees, which could potentially be significant to Beijing Tianying's net income. In addition, PNM has the right to receive all the residual assets of Beijing 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 Beijing Tianying and therefore includes Beijing Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Beijing Tianying, the Group has the power to direct the activities of Beijing Tianying, and can freely have assets transferred out of Beijing 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 Beijing 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 Beijing Tianying may have potential conflicts of interest with the Group.

Contractual Arrangements of PNM Group (Continued)

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 2015 Annual Report of PNM disclosed on its website (ir.ifeng.com).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC (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 is not aware of any progress of legislation of the Draft FIE law but will continuously closely monitor any progress.

Competing Business

During the year ended 31 December 2016 and up to the date of this report, none of the Directors 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.

Advances to an Entity

Details of the relevant advances to an entity from the Group are set out in Note 23 to the consolidated financial statements.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 44 to 59 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 2016 and provided advice and comments thereon.

Auditor

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

On behalf of the Board

LIU Changle

Chairman

Hong Kong, 17 March 2017