Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

1 General information

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (together, the "Group") engage principally in satellite television broadcasting and provision of new media services.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong Special Administrative Region of the People's Republic of China ("PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 17 March 2017.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies and disclosures

HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group.

(i) Effect of adopting new standards and amendments to standards effective in 2016

HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs Amendment 2014	Annual Improvements 2012–2014 Cycle

The adoption of the above new standards and amendments to standards does not have any significant impact to the results and financial position of the Group for the year ended 31 December 2016.

(ii) New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards that have been issued but are not effective for the financial year ended 31 December 2016 and have not been early adopted by the Group:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (2)
HKFRS 9	Financial Instruments (2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
HKFRS 15	Revenue from Contracts with Customers (2)
HKFRS 16	Leases (3)
HKAS 7 (Amendments)	Disclosure Initiative (1)
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses (1)

(1) Effective for the Group for annual period beginning on 1 January 2017
(2) Effective for the Group for annual period beginning on 1 January 2018
(3) Effective for the Group for annual period beginning on 1 January 2019
(4) Effective date to be determined

The Group will apply the above new standards and amendments to standards from 1 January 2017 or later periods. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (Continued)

(d) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(e) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other assets and liabilities are presented in the consolidated income statement within "Other gains/(losses), net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

No depreciation is provided on assets under construction until they are completed and are available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, as follows:

Buildings	2.05–3.33%
Leasehold improvements	shorter of 6.67%–33.3% or over the terms of the leases
Furniture and fixtures	15%–20%
Broadcast operations and other equipment	10%–33.3%
Motor vehicles	20%–25%
LED panels	10%–11.1%
Aircraft	7.1%

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(m)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net", in the consolidated income statement.

(i) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other gains/(losses), net".

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(j) Intangible assets (Continued)

(ii) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of two to ten years.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to four years.

(iii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of three years.

(iv) Club debentures

Acquired club debentures are intangible assets with an indefinite useful life. They are therefore shown at historical cost and are not amortised. Impairment assessments on club debentures are carried out by comparing their recoverable amounts with their carrying amounts annually and whenever there is an indication that the intangible assets maybe impaired.

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2 Summary of significant accounting policies (Continued)

(k) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. Cost of film rights is expensed in the consolidated income statement on the first and second showing and cost of purchased programme is expensed in the consolidated income statement by amortising the cost over the license period on a straight line basis.

Purchased programme with license period of 12 months or less and film rights with economic lives of 12 months or less are classified as current assets.

(l) Self-produced programmes

Self-produced programmes are stated at cost less any impairment losses. Cost comprises direct production expenditures and an appropriate portion of production overheads. Programmes in production that are abandoned are written off in the consolidated income statement immediately, or when the revenue to be generated by these programmes is determined to be lower than cost, the cost is written down to recoverable amount. Completed programmes will be broadcast over a short period of time and their costs are expensed in the consolidated income statement in accordance with a formula computed to write off the cost over the broadcast period.

(m) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(n) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges (Note 2(p)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise bank deposits, accounts receivable, other receivables, amounts due from related companies, amounts due from joint ventures, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2(r) and 2(s)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period. Available-for-sale financial assets represent unlisted securities of private issuers outside Hong Kong.

2 Summary of significant accounting policies (Continued)

(n) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other gains/(losses), net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in "Revaluation reserve" within equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of "Interest income". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale (Continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(p) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are initially recognised in the consolidated statement of financial position at their fair value.

If the fair value of the derivatives at initial recognition differs from the transaction price and the fair value is not evidenced by a quoted price in an active market for an identical asset or based on valuation technique that uses only data from observable markets, such difference between fair value at initial recognition and the transaction price is deferred. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the derivatives.

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the consolidated income statement.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(q) Inventories

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

(r) Accounts and other receivables

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(t) Deferred income

Deferred income represents advertising revenue, subscription revenue and promotion service revenue received in advance from third party customers.

(u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company reacquires its own equity instruments, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Such treasury shares may be acquired and held by the Group. Consideration paid or received shall be recognised directly in equity.

(v) Accounts payable, other payables and accruals

Accounts payable, other payables and accruals are recognised initially at fair value and subsequently measured of amortised cost using effective interest method.

(w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(x) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(y) Employee benefits

(i) Pension obligations

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the consolidated income statement represent contributions paid or payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or set up their own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are expensed in the consolidated income statement as incurred.

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(y) Employee benefits (Continued)

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit to the employee share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The fair value of options, at the time of grant is expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Cancellation of share options accompanied by the grant of replacement share options is accounted for as a modification of the terms of the cancelled share options. The compensation costs associated with the modification are recognised if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original share options. The incremental compensation cost is measured as the excess of the fair value of the replacement share options over the fair value of the cancelled share options at the cancellation date. Therefore, in relation to the modification, the Group recognises share-based compensation over the new vesting periods, which comprises (i) the amortisation of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognised compensation cost of original share option, using either the original term or the new term, whichever is higher for each reporting period.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(z) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated for the sale net of value-added tax, related agency commission expenses and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Advertising revenue

Advertising revenue, net of agency deductions is recognised upon the broadcast or posting of advertisements.

(ii) Mobile, video and wireless value added services income

Mobile, video and wireless value added services income are recognised in the period in which the services are performed or recognised evenly in the subscription period.

(iii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis to the consolidated income statement. The unamortised portion is classified as deferred income.

2 Summary of significant accounting policies (Continued)

(aa) Revenue recognition (Continued)

(iv) Magazine advertising revenue

Magazine advertising revenue net of commission expense is recognised when the magazine is published.

(v) Magazine subscription/circulation revenue

Magazine subscription or circulation revenue represents subscription or circulation money received or receivable from customers and is recognised when the respective magazine is sold.

(vi) Sales of decoder devices and satellite receivers

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vii) Barter revenue

Barter revenue is recognised at the fair value of goods or services received or receivable in the transaction upon the broadcast of advertisements, the publishing of the magazine or the provision of promotion services to be provided by the Group in the barter transaction.

(viii) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(ix) Tuition revenue

Tuition revenue for educational programs and services is recognised when the services are rendered.

(x) Consultancy and advisory fees

Consultancy and advisory fees are recognised when the services are rendered.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(ab) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessee

Payments made under operating leases (net of any incentives received from the lessor) including upfront payment made for lease premium for land, are charged to the consolidated income statement on a straight-line basis over the lease term.

(ac) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is mainly carried out by the finance department (the "Finance Department") headed by the Chief Financial Officer ("CFO") of the Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and US dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group engage in transactions mainly in HK$, RMB and US$ to the extent possible. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for monitoring and managing the net position in each foreign currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations, such as those in the People's Republic of China (the "PRC"), the United Kingdom and the United States is managed primarily through operating liabilities denominated in the relevant foreign currencies.

If the functional currency of the group entities had weakened/strengthened by 5% (2015: 5%) against the foreign currency of the net monetary assets of corresponding group entities, with all other variables held constant, after-tax profit for the year would have been HK$98,732,000 (2015: HK$56,179,000) higher or lower.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(b) Price risk

The Group is exposed to listed securities price risk because certain investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group has investment in the equity of a publicly traded entity. For further details of price risk exposed by the Group, please refer to Note 26.

(c) PRC regulations

The Group is exposed to certain macroeconomic and regulatory risks and uncertainties in the Chinese market. These uncertainties affect the ability of the Group to provide online advertising, mobile and Internet related services, and educational programs and services through contractual arrangements in the PRC since these industries remain highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax law, the status of properties leased for the Group's operations and legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Group's ability to conduct business in the PRC. The PRC government may also require the Group to restructure its operation entirely if it finds that the Group's contractual arrangements do not comply with applicable laws and regulation. It is unclear how a restructuring could impact the Group's business and operating results, as the PRC government has not yet found any such contractual arrangements to be in noncompliance. However, any such restructuring may cause significant disruption to the Group's business operations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(d) Cash flow and fair value interest rate risks

The Group's cash flow and fair value interest-rate risks primarily arise from bank deposits, amount due from Shenzhou (Note 23), amount due from a related company (Note 25) and bank borrowings. Bank deposits placed, bank borrowings and amounts due from Shenzhou issued at variable rates expose the Group to cash flow interest-rate risk whereas bank deposits placed, and amounts due from a related company at fixed rates expose the Group to fair value interest-rate risk. The Finance Department's policy is to maintain an appropriate level between fixed-rate and floating-rate deposits and use interest rate swap contract to manage certain cash flow interest rate risks (Note 38).

At 31 December 2016, with all other variables held constant, if the interest rates of interest-bearing assets had increased/decreased by 1%, after-tax profit for the year would have been HK$28,861,000 (2015: HK$30,547,000) higher or lower.

At 31 December 2016, with all other variables held constant, if the interest rates of interest-bearing liabilities had increased/decreased by 1%, after-tax profit for the year would have been HK$9,818,000 (2015: HK$12,141,000) lower or higher.

(ii) Credit risk

The Group's credit risk arises from cash and cash equivalents, loans and receivables, deposits with banks and financial institutions, as well as credit exposures to advertising agents and customers, including outstanding receivables and committed transactions. The Group has a receivable from an advertising agent, Shenzhou, in the PRC amounting to HK$248,356,000 (2015: HK$689,159,000) representing approximately 3% (2015: 7%) of the total assets of the Group as of 31 December 2016. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers and advertising agents, taking into account their financial position, collection history, past experience and other factors. For banks, financial institutions and issuers of derivative financial instruments, only reputable well established banks and financial institutions are accepted.

The Group has put in place policies to ensure that the sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

Most of the payment terms for advertising revenue will be agreed between the Group and the customers at the beginning of year. Customers will make payments in accordance with the contract terms. The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

See Note 21 for further disclosure on credit risk.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Department aims to maintain flexibility in funding by keeping committed banking facilities available. Details of cash and cash equivalents and banking facilities are set out in Notes 30 and 31 respectively.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year $'000	**More than one year but not exceeding two years $'000**	**More than two years but not exceeding five years $'000**	**More than five years $'000**
Group				
At 31 December 2016				
Accounts payable, other payables and accruals	**1,042,744**	**–**	**–**	**–**
Secured bank borrowings	**651,368**	**218,195**	**156,069**	**2,721**
Loans from non-controlling shareholders of subsidiaries	**19,274**	**89,922**	**158,410**	**18,098**
At 31 December 2015				
Accounts payable, other payables and accruals	1,162,106	–	–	–
Secured bank borrowings	472,839	267,569	260,965	458,602
Loans from non-controlling shareholders of a subsidiary	45,487	98,632	78,157	–

3 Financial risk management (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, adjust the amounts of borrowings or issue new shares.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted pries included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Finance Department reviews the valuations of the Group's financial instruments. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 December 2016. See Note 15 for disclosures of the investment properties that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	**19,003**	**–**	**–**	**19,003**
Available-for-sale financial assets				
– Convertible redeemable preferred shares				
– debt component	**–**	**–**	**605,849**	**605,849**
– Equity securities	**–**	**–**	**11,986**	**11,986**
Derivative financial instruments				
– Convertible redeemable preferred shares				
– derivative component	**–**	**–**	**440,261**	**440,261**
– Convertible loan				
– derivative component	**–**	**–**	**10,860**	**10,860**
– Options	**–**	**–**	**17,812**	**17,812**
	19,003	**–**	**1,086,768**	**1,105,771**
Liability				
Derivative financial instruments				
– Interest rate swap contracts	**–**	**(1,802)**	**–**	**(1,802)**
	–	**(1,802)**	**–**	**(1,802)**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	18,896	–	–	18,896
Available-for-sale financial assets				
– Convertible redeemable preferred shares				
– debt component	–	–	390,200	390,200
– Equity securities	–	–	1,212	1,212
Derivative financial instruments				
– Convertible redeemable preferred shares				
– derivative component	–	–	216,742	216,742
	18,896	–	608,154	627,050
Liability				
Derivative financial instruments				
– Interest rate swap contracts	–	(2,194)	–	(2,194)
– Currency swap contract	–	(1,034)	–	(1,034)
	–	(3,228)	–	(3,228)

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Same).

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2016, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$19,003,000 (2015: HK$18,896,000) (Note 26).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instrument in level 2

The fair values of interest rate swap contracts and currency swap contract are determined by valuation techniques that use observable inputs such as interest rates, yield curves and foreign currency rates that are observable at commonly quoted intervals.

(iii) Financial instruments in level 3

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 ($'000)	Valuation techniques	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares (comprising debt component of $605,849,000 and derivative component of $440,261,000)	1,046,110	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	43%	The lower the volatility, the higher the fair value
			Revenue growth rate	10%-205%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options	17,812	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	33%	The lower the discount rate, the higher the fair value
Convertible loan – derivative component	10,860	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	17.1%-18.2%	The lower the discount rate, the higher the fair value

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2015 ($'000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares (comprising debt component of HK$390,200,000 and derivative component of HK$216,742,000)	606,942	Discounted cash flow method	Discount rate	25.5%	The lower the discount rate, the higher the fair value
			DLOM	26%	The lower the DLOM, the higher the fair value
			Volatility	50.3%	The lower the volatility, the higher the fair value
			Revenue growth rate	5%-503%	The higher the revenue growth rate, the higher fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value

The convertible redeemable preferred shares represent investments in Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares (as at 31 December 2015: Series B convertible redeemable preferred shares and Series C convertible redeemable preferred shares) of Particle Inc. ("Particle") by the Group (the "Preferred Shares") (see Note 43 for details).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

An independent professional valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle, which was then allocated to Particle's common shares and Preferred Shares using the option-pricing and binomial models. The fair value of the Preferred Shares was further allocated to the debt component and derivative component using the DCF method.

The following table presents the changes in level 3 instruments during the year ended 31 December 2016. The carrying value of derivative component of the Preferred Shares recognised in the consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares.

	Equity Securities	Convertible loan	Options	Preferred Shares				
		Derivative component		Debt component	Derivative component			Total
					Gross	Deferred day one gain	Net	
	$'000	$'000	$'000	$'000 (Note 27)	$'000	$'000	$'000 (Note 38)	$'000
Opening balance on 1 January 2016	1,212	-	-	390,200	223,219	(6,477)	216,742	608,154
Transfer	(1,212)	-	-	-	-	-	-	(1,212)
Additions	11,986	14,085	18,282	122,744	38,171	-	38,171	205,268
Gains recognised in other comprehensive income	-	-	-	11,650	-	-	-	11,650
Gains and losses recognised in profit or loss	-	(3,225)	(471)	-	183,152	-	183,152	179,456
Interest income	-	-	-	81,024	-	-	-	81,024
Amortisation of deferred day one gain in profit or loss	-	-	-	-	-	2,123	2,123	2,123
Currency translation differences	-	-	1	231	73	-	73	305
Closing balance on 31 December 2016	11,986	10,860	17,812	605,849	444,615	(4,354)	440,261	1,086,768
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	-	(3,225)	(471)	-	183,152	2,123	185,275	181,579
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	-	-	-	11,650	-	-	-	11,650

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Preferred Shares				
	Debt component	Derivative component			Total
		Gross	Deferred day one gain	Net	
	$'000 (Note 27)	$'000	$'000	$'000 (Note 38)	$'000
Opening balance on 1 January 2015	32,770	64,817	(8,712)	56,105	88,875
Purchase of Preferred Shares	291,426	205,563	–	205,563	496,989
Gains recognised in other comprehensive income	15,116	–	–	–	15,116
Gains and losses recognised in profit or loss	–	(46,931)	–	(46,931)	(46,931)
Interest income	51,249	–	–	–	51,249
Amortisation of deferred day one gain in profit or loss	–	–	2,235	2,235	2,235
Currency translation differences	(361)	(230)	–	(230)	(591)
Closing balance on 31 December 2015	390,200	223,219	(6,477)	216,742	606,942
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	–	(46,931)	2,235	(44,696)	(44,696)
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	15,116	–	–	–	15,116

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
Year ended 31 December 2016	**10% increase or decrease $'000**	**1% increase or decrease $'000**	**3% increase or decrease $'000**	**3% increase or decrease $'000**	**5% increase or decrease $'000**
Convertible redeemable preferred shares	**272,086/(258,250)**	**50,702/(40,171)**	**(201,155)/277,349**	**(41,244)/47,149**	**(959)/81,496**

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
Year ended 31 December 2015	10% increase or decrease $'000	1% increase or decrease $'000	3% increase or decrease $'000	3% increase or decrease $'000	5% increase or decrease $'000
Convertible redeemable preferred shares	139,454/(131,804)	15,731/(14,208)	(90,075)/116,063	(22,111)/22,007	(24,218)/23,939

No sensitivity analysis for options amounted to HK$17,812,000 and derivative component of convertible loan amounted to HK$10,860,000 at 31 December 2016 (2015: Nil) is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(d) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2016	**Gross amounts of recognised financial assets $'000**	**Gross amounts of recognised financial liabilities set off in the balance sheet $'000**	**Net amounts of financial assets presented in the balance sheet $'000**	**Related amounts not set off in the balance sheet — Cash collateral received $'000**	**Net amount $'000**
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	**458,132**	**–**	**458,132**	**(23,351)**	**434,781**
– Not subject to master netting arrangement	**263,434**	**–**	**263,434**	**–**	**263,434**
	721,566	**–**	**721,566**	**(23,351)**	**698,215**

As at 31 December 2015	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet — Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	613,908	–	613,908	(17,002)	596,906
– Not subject to master netting arrangement	229,772	–	229,772	–	229,772
	843,680	–	843,680	(17,002)	826,678

Notes:

(i) Internet advertising customers have provided cash collateral to the Group of HK$23,351,000 (2015: HK$17,002,000) as protection for payment and contractual obligations under the terms of advertising sale agreements. The Group has the right to invoke the collateral if a customer has failed to settle outstanding payments or full contractual obligations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair values of available-for-sale financial assets and derivative financial instruments

The fair values of available-for-sale financial assets and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details, refer to Note 3 (c)(iii).

(ii) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectability of accounts receivable, other receivables, amounts due from related companies and the receivable from an advertising agent, Shenzhou. In making such judgement, management considers a number of factors including but not limited to the financial positions, collection history, past experience and subsequent settlements of debtors and Shenzhou.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. For the Group’s tax exposure in the PRC, please refer to Note 9.

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

(v) Recognition of share-based compensation expense

The Group adopts the Black-Scholes option pricing model to determine the fair value of share options at the grant date. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes model, including estimates and assumptions regarding the risk-free interest rate, expected dividend yield and volatility of the underlying shares and the expected life of the share options. Changes in these estimates and assumptions could affect the determination of the fair value of the options, and the amount of such share-based awards expected to become vested, which may in turn impact the determination of the share-based compensation expense.

(b) Critical judgements in applying the Group's accounting policies

(i) Control over Phoenix Metropolis Media Technology Company Limited ("PMM Beijing")

Management considers that the Group has de facto control of PMM Beijing even though it has less than 50% of the voting rights. Management has exercised its critical judgement when determining whether the Group has de facto control over PMM Beijing by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM Beijing; and (ii) the Group has the ability to direct the relevant activities of PMM Beijing, i.e. the activities that significantly affect PMM Beijing; and (iii) PMM Beijing and other shareholders highly rely on the Group's industry expertise, brand, network, and reputation.

5 Revenue and segment information

The Group is principally engaged in satellite television broadcasting and provision of new media services. An analysis of the Group's revenue by nature is as follows:

	2016 **$'000**	2015 $'000
Advertising sales		
Television broadcasting	**1,340,271**	1,505,403
New media	**1,362,129**	1,431,423
Outdoor media	**602,767**	567,028
Mobile, video and wireless value added services income	**267,532**	489,285
Subscription sales	**85,550**	91,514
Magazine advertising and subscription or circulation	**41,469**	46,413
Rental income	**27,606**	14,650
Others	**70,949**	55,179
	3,798,273	4,200,895

The operating segments have been based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective.

The Group has five main operating segments including:

(i) Television broadcasting – broadcasting of television programmes and commercials and provision of promotion activities;

 (a) Primary channels, including Phoenix Chinese Channel and Phoenix InfoNews Channel

 (b) Others, including Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel, Phoenix Hong Kong Channel and others

(ii) New media – provision of website portal and value-added telecommunication services;

(iii) Outdoor media – provision of outdoor advertising services;

(iv) Real estate – property development and investment (mainly Phoenix International Media Centre in Beijing); and

(v) Other activities – programme production and ancillary services, merchandising services, magazine publication and distribution, and other related services.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2016								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,310,632	120,315	1,430,947	1,629,661	610,295	27,606	99,764	–	3,798,273
Inter-segment sales (Note c)	–	42,377	42,377	–	–	7,295	77	(49,749)	–
Total revenue	1,310,632	162,692	1,473,324	1,629,661	610,295	34,901	99,841	(49,749)	3,798,273
Segment results	447,307	(29,688)	417,619	389,113	67,283	(47,251)	(7,442)	–	819,322
Unallocated income (Note a)									28,080
Unallocated expenses (Note b)									(349,727)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									497,675
Share of profits less losses of joint ventures									(4,906)
Share of profits less losses of associates									(12,946)
Income tax expense									(81,809)
Profit for the year									398,014
Non-controlling interests									(167,499)
Profit attributable to owners of the Company									230,515
Depreciation	(32,384)	(19,129)	(51,513)	(49,227)	(33,796)	(36,251)	(5,542)	–	(176,329)
Unallocated depreciation									(43,785)
									(220,114)
Interest income	1	1,007	1,008	135,247	2,646	198	198	–	139,297
Unallocated interest income									10,562
									149,859
Interest expenses	–	(66)	(66)	(8,173)	–	(26,973)	–	–	(35,212)
Unallocated interest expenses									(5,959)
									(41,171)
Impairment of property, plant and equipment	–	–	–	(104)	(7,607)	–	–	–	(7,711)
Unallocated impairment of property, plant and equipment									(12,100)
									(19,811)
Reversal of provision for impairment of accounts receivable	–	–	–	8,103	–	–	–	–	8,103
Provision for impairment of accounts receivable	–	(11)	(11)	(63,275)	(2,674)	–	(627)	–	(66,587)
Reversal of provision for impairment of amounts due from joint ventures	–	–	–	1,224	–	–	–	–	1,224

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2015								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,451,302	146,793	1,598,095	1,920,708	571,521	14,650	95,921	–	4,200,895
Inter-segment sales (Note c)	–	44,515	44,515	–	67	3,208	77	(47,867)	–
Total revenue	1,451,302	191,308	1,642,610	1,920,708	571,588	17,858	95,998	(47,867)	4,200,895
Segment results	552,639	(30,935)	521,704	153,634	63,806	1,106	(92,057)	–	648,193
Unallocated income (Note a)									51,047
Unallocated expenses (Note b)									(369,990)
Profit before share of results of joint ventures/ associates, income tax and non-controlling interests									329,250
Share of profits less losses of joint ventures									(18,624)
Share of profits less losses of associates									(18,919)
Income tax expense									(139,876)
Profit for the year									151,831
Non-controlling interests									(41,482)
Profit attributable to owners of the Company									110,349
Depreciation	(56,927)	(27,376)	(84,303)	(56,192)	(36,114)	(38,783)	(10,607)	–	(225,999)
Unallocated depreciation									(25,544)
									(251,543)
Interest income	3	1,338	1,341	88,605	4,881	203	6,382	–	101,412
Unallocated interest income									16,272
									117,684
Interest expenses	–	(73)	(73)	(2,858)	–	(41,287)	–	–	(44,218)
Unallocated interest expenses									(5,407)
									(49,625)
Impairment of property, plant and equipment	–	–	–	(4,631)	(5,741)	–	–	–	(10,372)
Provision for impairment of accounts receivable	–	–	–	(59,691)	(9,205)	–	(6,062)	–	(74,958)
Provision for impairment of amounts due from joint ventures	–	–	–	(11,738)	–	–	(27,547)	–	(39,285)
Provision for impairment of investment in a joint venture	–	–	–	(3,854)	–	–	–	–	(3,854)
Reversal of provision for impairment of amount from an associate	–	–	–	–	–	–	301	–	301
Provision for impairment of available-for-sale financial asset	–	–	–	(7,805)	–	–	–	–	(7,805)

5 Revenue and segment information (Continued)

Notes:

(a) Unallocated income represents exchange gain, interest income, investment income and other income.

(b) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses;
- marketing and advertising expenses relate to the Group as a whole;
- exchange loss; and
- fair value loss on financial assets.

(c) Sales between segments are carried out based on terms determined by management with reference to market prices.

Revenue from external customers by country, based on the destination of the customer:

	2016	2015
	$'000	$'000
The PRC	**3,675,533**	4,049,267
Hong Kong	**28,136**	47,322
Others	**94,604**	104,306
	3,798,273	4,200,895

Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2016	2015
	$'000	$'000
The PRC	**2,263,644**	2,401,164
Hong Kong	**893,035**	759,993
Others	**58,769**	82,618
	3,215,448	3,243,775

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

6 Other operating gains/(losses), net

	2016 $'000	2015 $'000
Exchange loss, net	**(55,812)**	(57,213)
Investment income	**8,878**	9,932
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 26)	**107**	(3,694)
Fair value gain/(loss) on derivative financial instruments (Note 38)	**183,005**	(46,787)
Gain on deemed disposed of a subsidiary (Note 39(b))	**49,344**	–
Gain on disposal of a subsidiary and associates	**–**	5,214
Reversal of provision for/(provision for) impairment of amounts due from joint ventures (Notes 17(a), 25(a))	**1,224**	(39,285)
Provision for impairment of investment in a joint venture (Note 17)	**–**	(3,854)
Reversal of provision for impairment of amount due from an associate	**–**	301
Provision for impairment of available-for-sale financial asset (Note 27)	**–**	(7,805)
Others, net	**(16)**	(9,027)
	186,730	(152,218)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

7 Profit before income tax

The following items have been (credited)/charged to the profit before income tax during the year:

	2016 **$'000**	2015 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**(8,103)**	–
Gain on disposal of property, plant and equipment	**(533)**	(39)
Charging		
Production costs of self-produced programmes	**195,913**	196,957
Commission expenses	**372,202**	396,436
Bandwidth costs	**75,056**	102,625
Provision for impairment of accounts receivable	**66,587**	74,958
Employee benefit expenses (including Directors' emoluments) (Note 8)	**1,185,144**	1,254,732
Operating lease rental in respect of		
– Directors' quarters	**1,893**	1,891
– Land and buildings of third parties	**70,374**	82,470
– LED panels	**195,659**	199,447
Loss on disposal of property, plant and equipment	**678**	952
Depreciation of property, plant and equipment	**220,114**	251,543
Amortisation of purchased programme and film rights	**16,358**	19,025
Amortisation of lease premium for land	**5,786**	5,949
Amortisation of intangible assets	**1,663**	1,564
Impairment of property, plant and equipment	**19,811**	10,372
Auditor's remuneration		
– Audit services	**13,512**	13,288
– Non-audit services	**1,736**	1,200
Outgoings for investment properties	**3,960**	1,495

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8 Employee benefit expenses

	2016 **$'000**	2015 $'000
Wages, salaries and other allowances	**1,161,590**	1,188,014
Unutilised annual leave	**(875)**	(38)
Pension costs - defined contribution plan, net of forfeited contributions (Note a)	**21,971**	22,574
Share-based compensation expense (Note 33)	**2,458**	44,182
	1,185,144	1,254,732

(a) Pensions - defined contribution plans

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans based on various percentages of the employees' salaries or a fixed sum per employee with reference to their salary level. The assets of these schemes are generally held in separate trustee administered funds.

Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2016, the aggregate amount of the employer's contributions was approximately HK$18,983,000 (2015: HK$20,110,000) and the total amount of forfeited contributions was approximately HK$1,427,000 (2015: HK$2,368,000).

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$30,000 from 1 June 2014 onwards for each employee. For those employees with monthly relevant income less than HK$7,100, since 1 November 2013, the employees' contributions are voluntary.

For the year ended 31 December 2016, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$2,633,000 (2015: HK$2,989,000) and the forfeited contributions was HK$61,000 (2015: HK$12,000).

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8 Employee benefit expenses (Continued)

(b) Five highest paid individuals and senior managements' emoluments

The five highest paid individuals in the Group for the year ended 31 December 2016 included three Directors (2015: three) and two members of senior management (2015: one). The aggregate emoluments paid/payable to the five highest paid individuals during the year are as follows:

	2016 **$'000**	2015 $'000
Salaries	**18,837**	20,149
Discretionary bonus	**667**	2,221
Housing allowance	**5,786**	4,664
Pension costs	**1,388**	1,191
	26,678	28,225

The emoluments of the 5 highest paid individuals (2015: five highest paid individuals and three remaining members of senior management) fall within the following bands:

	Number of individuals	
Emolument band	**2016**	2015
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	3
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–
HK$9,500,001 – HK$10,000,000	**–**	1
	5	8

During the year, no emoluments or incentive payments were paid or payable to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office except as disclosed above (2015: Nil).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016 **$'000**	2015 $'000
Current income tax		
– Hong Kong profits tax	**36,190**	66,818
– PRC and overseas taxation	**63,057**	68,766
– Over provision of tax in the prior year	**(8,321)**	(1,194)
Deferred income tax (Note 36)	**(9,117)**	5,486
	81,809	139,876

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fees collected from Shenzhou in the PRC (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

Certain subsidiaries enjoyed preferential tax rates of 15% (2015: 15%) for being new technology enterprises in the PRC. In addition, a subsidiary enjoyed income tax exemption (2015: none) and a subsidiary enjoyed preferential tax rate of 12.5% (2015: 12.5%) for being software enterprise in the PRC.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the location in which the Company operates as follows:

	2016 **$'000**	2015 $'000
Profit before income tax	**479,823**	291,707
Calculated at a taxation rate of 16.5% (2015: 16.5%)	**79,171**	48,132
Income not subject to taxation	**(104,427)**	(42,272)
Expenses not deductible for taxation purposes	**47,010**	88,252
Tax losses not recognised	**27,663**	28,701
Effect of different tax rate in other countries	**42,722**	23,199
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(2,009)**	(4,727)
Recognition of temporary differences not previously recognised	**–**	842
Utilisation of previously unrecognised tax losses	**–**	(1,057)
Over provision of tax in the prior year	**(8,321)**	(1,194)
Income tax expense	**81,809**	139,876

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to owners of the Company ($'000)	**230,515**	110,349
Weighted average number of ordinary shares in issue ('000)	**5,000,860**	5,000,006
Basic earnings per share (Hong Kong cents)	**4.61**	2.21

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary (2015: share options of the Company and a subsidiary, ordinary shares issuable upon the restricted share units of a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share. The impact of the dilutive instruments of the subsidiary is not material to the Group's diluted earnings per share.

	2016	2015
Profit attributable to owners of the Company ($'000)	**230,515**	110,349
Weighted average number of ordinary shares in issue ('000)	**5,000,860**	5,000,006
Adjustment for share options of the Company ('000)	**589**	1,930
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,001,449**	5,001,936
Diluted earnings per share (Hong Kong cents)	**4.61**	2.21

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

11 Dividends

	2016 **$'000**	2015 $'000
Proposed final dividend of 1 Hong Kong cent (2015: 1 Hong Kong cent) per share	**50,010**	50,010

The 2015 final dividend paid during the year ended 31 December 2016 were approximately HK$50,010,000 (1 Hong Kong cent per share). The Board of Directors of the Company ("Board") recommend the payment of a final dividend of 1 Hong Kong cent per share, totaling approximately HK$50,010,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2017. These consolidated financial statements do not reflect this dividend payable.

12 Purchased programme and film rights, net

	2016 **$'000**	2015 $'000
Balance, beginning of year	**15,845**	17,350
Additions	**16,915**	18,588
Amortisation	**(16,358)**	(19,025)
Others	**(1,285)**	(1,068)
Balance, end of year	**15,117**	15,845
Less: Purchased programme and film rights – current portion	**(231)**	(450)
	14,886	15,395

13 Lease premium for land

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016 **$'000**	2015 $'000
Balance, beginning of year	**223,338**	234,368
Amortisation	**(5,786)**	(5,949)
Currency translation differences	**(7,373)**	(5,081)
Balance, end of year	**210,179**	223,338

13 Lease premium for land (Continued)

(a) Included in the net book value as of 31 December 2016 is an amount of HK$102,051,000 (2015: HK$112,466,000) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre.

(b) Included in the net book value as of 31 December 2016 is an amount of HK$13,935,000 (as at 31 December 2015: HK$14,340,000) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 31 December 2016, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate of the Shenzhen Building will be issued in the near future.

14 Property, plant and equipment, net

	Freehold land $'000	Building $'000 (Note a)	Leasehold improvements $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construction in progress $'000	Total $'000
Year ended 31 December 2016										
Opening net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	-	1,340,438
Additions	-	85	29,206	5,175	63,207	1,693	3,127	-	14,726	117,219
Disposals	-	-	(110)	(650)	(53)	(252)	(1,913)	-	-	(2,978)
Depreciation	-	(35,662)	(39,416)	(2,552)	(99,508)	(5,327)	(30,350)	(7,299)	-	(220,114)
Impairment	-	-	-	-	(104)	-	(7,607)	(12,100)	-	(19,811)
Transfers	-	-	(36)	-	36	-	12,893	-	(12,893)	-
Currency translation differences	(783)	(32,819)	(3,152)	(343)	(7,165)	(180)	(9,406)	-	(64)	(53,912)
Closing net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842
At 31 December 2016										
Cost	11,718	687,490	484,284	28,770	878,392	45,286	291,611	100,971	1,769	2,530,291
Accumulated depreciation and impairment	-	(107,939)	(302,888)	(20,725)	(680,160)	(35,434)	(169,450)	(52,853)	-	(1,369,449)
Net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

14 Property, plant and equipment, net (Continued)

	Freehold land $'000	Building $'000 (Note a)	Leasehold improvements $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construction in progress $'000	Total $'000
Year ended 31 December 2015										
Opening net book amount	12,670	720,512	211,435	5,896	301,533	18,032	200,845	74,816	–	1,545,739
Additions	–	–	32,386	2,526	65,409	2,213	841	–	–	103,375
Disposals	–	–	(100)	(1)	(939)	(40)	–	–	–	(1,080)
Depreciation	–	(43,283)	(46,623)	(1,901)	(113,701)	(6,130)	(32,606)	(7,299)	–	(251,543)
Impairment	–	–	–	–	(4,631)	–	(5,741)	–	–	(10,372)
Transfers	–	–	–	–	–	–	–	–	–	–
Currency translation differences	(169)	(29,282)	(2,194)	(105)	(5,852)	(157)	(7,922)	–	–	(45,681)
Closing net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438
At 31 December 2015										
Cost	12,501	725,191	462,735	25,112	854,739	47,593	311,536	100,971	–	2,540,378
Accumulated depreciation and impairment	–	(77,244)	(267,831)	(18,697)	(612,920)	(33,675)	(156,119)	(33,454)	–	(1,199,940)
Net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438

Depreciation expense of approximately HK$137,157,000 (2015: HK$153,607,000) has been charged in "Operating expenses", and approximately HK$82,957,000 (2015: HK$97,936,000) in "Selling, general and administrative expenses".

(a) Included in the net book value as of 31 December 2016 is an amount of HK$24,084,000 (2015: HK$24,784,000) which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. As at 31 December 2016, the cost was HK$30,848,000 (as at 31 December 2015: HK$30,848,000) with a net book value of HK$24,084,000 (as at 31 December 2015: HK$24,784,000). As at 31 December 2016, the Group was still in the process of obtaining the title certificate to the 8,500 square metres of the entitled areas through the payment of land premium and taxes (see Note 13(b)).

(b) As of 31 December 2016, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of noncompliance with laws and regulations is remote.

(c) Included in the net book value as of 31 December 2016 is an amount of HK$48,118,000 (2015: HK$67,517,000) which relates to the aircraft for operation use.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties

	2016 **$'000**	2015 $'000
Balance, beginning of year	**1,547,854**	1,515,675
Fair value gain	**21,127**	98,939
Currency translation differences	**(104,893)**	(66,760)
Balance, end of year	**1,464,088**	1,547,854

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of investment properties. Independent valuations of the investment properties were performed by the valuers, Vigers Appraisal and Consulting Limited and Lambert Smith Hampton, to determine the fair value of the properties as at 31 December 2016 (2015: Same). Fair value gain of approximately HK$21,127,000 (2015: HK$98,939,000) is included in the "Other gains/(losses), net" in the consolidated income statement.

(i) Fair value hierarchy

Description	**Fair value measurements at 31 December 2016 using significant unobservable inputs (Level 3) $'000**	Fair value measurements at 31 December 2015 using significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Investment properties		
– Phoenix International Media Centre		
– The PRC	**1,452,332**	1,534,012
– Commercial – UK	**11,756**	13,842

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Finance Department, headed by CFO, reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the Finance Department and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the Finance Department:

- Verifies all majors inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

Notes to the Consolidated Financial Statements
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iii) Valuation techniques

For the investment property in UK with a carrying amount of HK$11,756,000 (2015: HK$13,842,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed at least once every six months by a qualified valuer using income capitalisation approach.

Income capitalisation approach is based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow profile. The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions including open market rents, appropriate capitalisation rate and reversionary income potential.

In addition, for the investment property in the PRC, which represents gross floor area of Phoenix International Media Centre held for rental income, has a carrying value of HK$1,452,332,000 (as at 31 December 2015: HK$1,534,012,000). The fair value of this investment property is determined using the information from the valuation performed by external professional valuer using the direct comparison method. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved. There were no changes in valuation techniques during the year.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value at 31 Dec 2016 ($'000)**	**Valuation technique**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Phoenix International Media Centre – The PRC	1,452,332	Direct comparison	Adjusted average price of HK$33,250 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	11,756	Income capitalisation approach	Estimated rental value of HK$3,505 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

Description	Fair value at 31 Dec 2015 ($'000)	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC	1,534,012	Direct comparison	Adjusted average price of HK$35,120 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	13,842	Income capitalisation approach	Estimated rental value of HK$4,119 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(v) Quantitative sensitivity analysis

The major sources of estimation uncertainty of investment properties are mainly contributed by the Phoenix International Media Centre and the quantitative sensitivity analysis is shown as below:

	Adjusted average price per square metre 5% increase or decrease $'000
At 31 December 2016	**72,617**
At 31 December 2015	76,701

(b) Deferred tax

The Group's investment properties in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 36).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16 Intangible assets

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2016						
Opening net book amount	**8,733**	**–**	**–**	**2,705**	**5,069**	**16,507**
Additions	**–**	**11,341**	**–**	**–**	**350**	**11,691**
Disposal	**–**	**–**	**–**	**(640)**	**–**	**(640)**
Amortisation	**–**	**(87)**	**–**	**–**	**(1,576)**	**(1,663)**
Currency translation differences	**–**	**–**	**–**	**–**	**(23)**	**(23)**
Closing net book amount	**8,733**	**11,254**	**–**	**2,065**	**3,820**	**25,872**
At 31 December 2016						
Cost	**8,733**	**13,742**	**1,924**	**2,065**	**10,000**	**36,464**
Accumulated amortisation and impairment	**–**	**(2,488)**	**(1,924)**	**–**	**(6,180)**	**(10,592)**
Net book amount	**8,733**	**11,254**	**–**	**2,065**	**3,820**	**25,872**
Year ended 31 December 2015						
Opening net book amount	8,733	–	–	2,705	6,652	18,090
Amortisation	–	–	–	–	(1,564)	(1,564)
Currency translation differences	–	–	–	–	(19)	(19)
Closing net book amount	8,733	–	–	2,705	5,069	16,507
At 31 December 2015						
Cost	8,733	2,401	1,924	2,705	9,686	25,449
Accumulated amortisation and impairment	–	(2,401)	(1,924)	–	(4,617)	(8,942)
Net book amount	8,733	–	–	2,705	5,069	16,507

Amortisation of approximately HK$1,663,000 (2015: HK$1,564,000) is included in "Selling, general and administrative expenses" during the year.

An impairment review of the carrying amount of goodwill at 31 December 2016 was performed and no impairment provision is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual cash-generating units (CGUs) identified according to operating segment. The recoverable amount is based on a value in use calculation. There was no impairment charge recognised during the year (2015: Nil).

Certain of the Group's new media subsidiaries are in the process of applying for certain licenses for the operation of their businesses, including internet audio-visual program transmission license and internet news license.

17 Interests in joint ventures

	2016 $'000	2015 $'000
Unlisted investments, net	**24,159**	27,768
Amount due from a joint venture (Note (a))	–	1,500
	24,159	29,268

The Group's investments in joint ventures are analysed as follows:

	2016 $'000	2015 $'000
Unlisted investments, at cost	**77,503**	69,575
Capital contribution	**2,612**	7,928
Less: Capital returned upon dissolution	**(748)**	–
Less: Provision for impairment	**(4,326)**	(4,326)
Less: Share of profits less losses of joint ventures	**(50,315)**	(45,409)
Currency translation difference	**(567)**	–
Unlisted investments, net	**24,159**	27,768

(a) Amount due from a joint venture

	2016 $'000	2015 $'000
Amount due from a joint venture	–	12,743
Less: Provision for impairment	–	(11,243)
	–	1,500

During the year ended 31 December 2015, provision for impairment of HK$27,547,000 was made and included in "Other gains/(losses), net". The Group also wrote off amount due from joint ventures of approximately HK$99,639,000 against the provision for impairment made in prior years during the year ended 31 December 2015. In addition, the amount due from a joint venture of HK$12,743,000 and the related provision for impairment of HK$11,243,000, classified as non-current asset as at 31 December 2015, have been reclassified to current asset as the loan was repayable within 1 year as at 31 December 2016.

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17 Interests in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2016 were as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
China Global Television Limited	British Virgin Islands, 18 October 2001	British Virgin Islands	Dormant	50%	US$2
北京翡翠鳳凰文化投資諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 Beijing Simulcast Communication Co. Ltd.*	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting, and media marketing industry in the PRC	45%	RMB30,000,000
深圳市優悦文化傳播有限公司	The PRC, 15 December 2010	The PRC	Radio broadcasting in the PRC	50%	RMB10,000,000
北京華寶鳳凰文化傳播有限公司 Huabao Phoenix Beijing Cultural Communication Co., Ltd.*	The PRC, 2 September 2013	The PRC	Provision of promotional related services	30%	RMB2,000,000
北京鳳凰天博網絡技術有限公司 Beijing Fenghuang Tianbo Network Technology Co., Ltd.*	The PRC, 31 May 2013	The PRC	New Media	27.73%	RMB1,960,000
北京鳳天優房地產經紀有限公司	The PRC, 4 March 2015	The PRC	New Media	27.73%	RMB500,000
鳳凰金房信息諮詢(北京)有限公司	The PRC, 15 June 2015	The PRC	New Media	27.73%	RMB1,000,000

* *For identification only*

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17 Interests in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2016 were as follows: (Continued)

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix FM Limited	Cayman Islands, 29 August 2013	Cayman Islands	New Media	55.45%	US$560
Phoenix FM (Hong Kong) Company Limited	Hong Kong, 24 October 2013	Hong Kong	New Media	55.45%	HK$1
鳳凰愛聽(北京)信息技術有限公司 Phoenix FM (Beijing) Information Technology Co. Ltd.*	The PRC, 24 January 2014	The PRC	New Media	55.45%	US$1,700,000
北京鳳鳴九天網絡技術有限公司 Beijing Fengming Jiutian Network Technology Co. Ltd.*	The PRC, 28 February 2014	The PRC	New Media	55.45%	RMB1,000,000
深圳市鳳凰精彩網絡技術有限公司 Shenzhen Fenghuang Jingcai Network Technology Co. Ltd.*	The PRC, 1 April 2014	The PRC	New Media	17.49%	RMB71,428,571
塔美數據科技(上海)有限公司	The PRC, 30 March 2015	The PRC	Data technology	51%	RMB2,000,000
廣州華師鳳凰文化教育信息技術有限公司	The PRC, 30 October 2012	The PRC	Education	36%	RMB10,000,000
北京華桐鳳凰科技發展有限公司	The PRC, 27 July 2016	The PRC	Technical consulting	30%	RMB1,000,000
縱橫文旅(上海)實業發展有限公司	The PRC, 9 October 2016	The PRC	Cultural development	40%	RMB60,000,000

* *For identification only*

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17 Interests in joint ventures (Continued)

(b) Shenzhen Phoenix City Forum Co., Ltd., in which the Group previously held 50% equity interests, was dissolved on 28 November 2016.

(c) Aggregate information of joint ventures that are individually immaterial

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2016 **$'000**	2015 $'000
The Group's share of profits less losses and total comprehensive income	**4,906**	(18,624)
Aggregate carrying amount of the Group's interests in these joint ventures	**24,159**	27,768

(d) As at 31 December 2016, there are no commitments and contingent liabilities relating to the Group's interests in joint ventures (2015: Nil).

18 Investments in associates

The Group's investments in associates are analysed as follows:

	2016 **$'000**	2015 $'000
Unlisted investments, at cost	**37,566**	82,452
Fair value of non-controlling interests retained	**53,379**	–
Capital contribution	**26,113**	12,045
Transfer (Note 27(b))	**1,212**	–
Disposal of associates	**–**	(56,027)
Dividend from an associate	**–**	(904)
Share of profits less losses of associates	**(28,594)**	(15,648)
Currency translation difference	**(5,262)**	–
Unlisted investments, net	**84,414**	21,918

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18 Investments in associates (Continued)

Details of the principal associates which are accounted for by the equity method of accounting as at 31 December 2016 are as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
匯川創業投資股份有限公司 SinoPlus Venture Capital Corp.	Taiwan, 11 September 2013	Taiwan	Cultural development	30%	NTD200,000,000
杭州奇客科技有限公司 Hangzhou Qike Technology Co., Ltd.*	The PRC, 13 February 2015	The PRC	Management consulting	25.02%	RMB10,000,000
傳大鳳凰(北京)教育科技有限公司	The PRC, 2 August 2012	The PRC	Education	30%	RMB6,000,000
上海鳳凰衛視領客文化發展有限公司	The PRC, 3 December 2015	The PRC	Cultural development	45%	RMB7,300,000
Sky Fame Business Limited	British Virgin Islands, 8 August 2016	Hong Kong	Investment holding	25%	USD100
北京鳳凰理理它信息技術有限公司 Beijing Phoenix Li Li Ta Information Technology Co., Ltd.* ("LLT") (Note 27(b))	The PRC, 22 August 2014	The PRC	Provision of financing platforms	8.54%	RMB10,653,000

* *For identification only*

Note

(a) Aggregate information of associates that are individually immaterial

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2016 **$'000**	2015 $'000
The Group's share of profits less losses and total comprehensive income	**(12,946)**	(18,919)
Aggregate carrying amount of the Group's interests (including goodwill) in these associates	**84,414**	21,918

(b) As at 31 December 2016, there are no commitments and contingent liabilities relating to the Group's interests in associates (2015: Nil).

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19 Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	Hong Kong, limited liability company	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands, limited liability company	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Chinese News & Entertainment Limited	The United Kingdom, limited liability company	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Satellite Television Information Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	55.45%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
鳳凰影視(深圳)有限公司 Phoenix Film and Television (Shenzhen) Company Limited*	The PRC, limited liability company	The PRC	Ancillary services for programme production	60%	HK$10,000,000
Phoenix Satellite Television (U.S.), Inc.	The United States of America, limited liability company	The United States of America	Provision of management and promotional related services	100%	US$1

* *For identification only*

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands, limited liability company	Taiwan	Programme production	100%	US$1
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
鳳凰在線(北京)信息技術有限公司 Fenghuang On-line (Beijing) Information Technology Company Limited*	The PRC, limited liability company	The PRC	Technical consulting	55.45%	US$31,850,000
Hong Kong Phoenix Books Culture Publishing Company Limited (formerly known as Phoenix Publications (Hong Kong) Limited)	Hong Kong, limited liability company	The PRC	Publication	100%	HK$1
Phoenix Metropolis Media Holdings Limited (formerly known as Phoenix Metropolis Media Company Limited)	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	HK$400
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	55.45%	US$2,563,353 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Green Lagoon Investments Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
鳳凰都市傳媒科技股份有限公司 (前稱鳳凰都市(北京)廣告傳播有限公司) Phoenix Metropolis Media Technology Co. Ltd. (formerly known as Phoenix Metropolis Media (Beijing) Company Limited)* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB154,000,000
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB22,072,992
鳳凰衛視都市傳媒(杭州)有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320
鳳凰都市傳媒(深圳)有限公司(前稱深圳鳳凰都市廣告傳播有限公司) Phoenix Metropolis Media (Shenzhen) Company Limited* (Formerly Shenzhen Phoenix Metropolis Media Company Limited*) (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB35,000,000
鳳凰都市傳媒(廣州)有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited*(Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited* (Note d)	The PRC, limited liability company	The PRC	Property holding	70%	RMB300,000,000
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Satellite television broadcasting	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	HK$10,000
Phoenix Radio Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Télévision (France) SAS	France, limited liability company	France	Satellite television broadcasting	100%	EUR500,000
北京天盈九州網絡技術有限公司 Beijing Tianying Jiuzhou Network Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising, mobile value-add service, games and others	55.45%	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Mobile value-add services	55.45%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Advertising. Co. Ltd. (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB5,000,000

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PSTV, LLC	The United States of America, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd.*	The PRC, limited liability company	The PRC	Outdoor media business	100%	RMB76,922,334
鳳凰和信文化諮詢(北京)有限公司 Phoenix Cultural Consult (Beijing) Co., Ltd.*	The PRC, limited liability company	The PRC	Radio broadcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC, limited liability company	The PRC	Radio broadcasting	100%	RMB19,000,000
Phoenix (UK) Properties Company Limited	Hong Kong, limited liability company	Hong Kong	Properties holding	100%	HK$1
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Advertising	55.45%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1
Phoenix Research & Development Limited	British Virgin Islands, limited liability company	Hong Kong	Research and development	100%	US$1
Phoenix Industrial Development Centre Limited	Hong Kong, limited liability company	Hong Kong	Research and development	100%	HK$1
Phoenix Research Institute Limited	Hong Kong, company limited by guarantee	Hong Kong	Research and development	100%	–
Phoenix Culture Industrial Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Culture Creation Development Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Industrial Investment Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
北京鳳凰於天軟體技術有限公司 Beijing Fenghuang Yutian Software Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Software development	55.45%	RMB5,000,000
北京鳳凰互動娛樂網絡技術有限公司 (formerly known as 北京繼融文華文化傳播有限公司 Beijing Jirong Wenhua Culture Communication Co., Ltd.*) (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB10,000,000
鳳凰衛視文化產業發展(上海)有限公司 Phoenix Culture Industrial Development (Shanghai) Co., Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB25,000,000
天津鳳凰銘道文化傳播有限公司 Tianjin Fenghuang Mingdao Culture Communication Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB2,000,000
上海億息網絡技術有限公司 Shanghai Yixi Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB100,000,000
北京看盤寶科技有限公司	The PRC, 15 April 2016	The PRC	Data technology	38.82%	RMB1,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
北京鳳凰融合投資有限公司 Beijing Fenghuang Convergence Investment Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Financial consulting services	55.45%	RMB400,000
上海喵球信息技術有限公司 Shanghai Miaoqiu Information Technology Co., Ltd.* (Note a(ii)) (Note c)	The PRC, limited liability company	The PRC	Technical consulting	41.59%	RMB1,000,000
成都歡遊天下網絡科技有限公司 Chengdu Huanyou Tianxia Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB500,000
Phoenix Overseas Infonews Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰飛揚(北京)新媒體信息技術有限公司 Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Advertising	55.45%	RMB100,000,000
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.45%	HK$1
Convergence Investment Co. Ltd	Cayman Islands, limited liability company	Cayman Islands	Investment consultancy	55.45%	US$0.01
フエニツクス•インフオニユース•ジヤパン株式会社 Phoenix InfoNews Japan Limited*	Japan, limited liability company	Japan	Satellite television broadcasting	100%	JPY 9,000,000
上海鳳凰衛視藝術發展有限公司(前稱上海鳳凰衛視俊安藝術發展有限公司) Shanghai Phoenix General Nice Art Development Co. Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB100,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
I Game Limited	Cayman Islands, exempted company	Cayman Islands	Investment holding	55.45%	US$0.01
I Game (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.45%	HK$1
北京塵寰科技有限公司 Beijing Chenhuan Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB1,500,000
北京遊九州技術有限公司 Beijing Youjiuzhou Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB1,500,000
北京歡遊天下科技有限公司 Beijing Huanyou Tianxia Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Game	55.45%	RMB10,000,000
北京鳳凰博鋭軟件技術有限責任公司 Beijing Fenghuang Borui Software Technology Co. Ltd.*	The PRC, limited liability company	The PRC	Software development	55.45%	US$1,000,000
愜意游(北京)信息技術有限公司 Qie Yi You (Beijing) Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Game	55.45%	US$5,000,000
Phoenix Education Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix International Education Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	60%	HK$500,000
鳳翔(深圳)教育科技有限公司	The PRC, limited liability company	The PRC	Education	60%	RMB5,000,000
鳳凰新聯合(北京)教育科技有限公司 (Note a (ii))	The PRC, limited liability company	The PRC	Education	60%	RMB10,000,000
蘇州鳳凰新聯合科技有限公司 (Note a(ii))	The PRC, limited liability company	The PRC	Education	60%	RMB2,000,000

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Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰置業投資控股有限公司 Phoenix Property Investment Holding Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Property Development Limited	Hong Kong, limited liability company	Hong Kong	Property development	100%	HK$1
Phoenix Cloud Technology Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰雲祥(北京)科技發展有限公司	The PRC, limited liability company	The PRC	Technical consulting	100%	RMB3,000,000
Phoenix Entertainment and Game Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Television Investment Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix New Life Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
北京鳳凰天翔遊戲科技有限公司	The PRC, limited liability company	The PRC	Investment holding	100%	RMB1,000,000
北京悠然暢思科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB10,000,000
Phoenix Hong Kong Television Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
北京鳳凰雲付信息技術有限公司	The PRC, limited liability company	The PRC	Technical consulting	55.45%	RMB100,000
鳳凰衛視文化演藝(上海)有限公司	The PRC, limited liability company	The PRC	Cultural development	100%	RMB20,000,000
鳳凰康寧(北京)健康產業投資有限公司	The PRC, limited liability company	The PRC	Investment management	60%	RMB5,000,000
Phoenix Exhibitions Company Limited	Hong Kong, limited liability company	Hong Kong	Exhibitions business	100%	HK$1
上海淘韻文化傳媒有限公司	The PRC, limited liability company	The PRC	Games development	55%	RMB1,120,000
上海隱娛網絡科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB1,000,000
上海鳳娛視訊科技有限公司	The PRC, limited liability company	The PRC	Media technology development	55.45%	RMB50,000,000
北京鳳凰都市互動科技有限公司 (Note c)	The PRC, limited liability company	The PRC	Technical consulting	18.22%	RMB12,500,000

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Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (Continued)

Notes:

i. Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

ii. The Group does not have any equity interest in Beijing Tianying Jiuzhou Network Technology Co. Ltd., Yifeng Lianhe (Beijing) Technology Co. Ltd., Beijing Chenhuan Technology Co. Ltd., Beijing Youjiuzhou Technology Co. Ltd., Beijing Huanyou Tianxia Technology Co. Ltd. and 鳳凰新聯合(北京)教育科技有限公司 and their respective subsidiaries (collectively referred to as "VIE entities"). However, through entering various contractual arrangements with the registered equity holders of VIE entities, the Group has rights to variable returns from its involvement with these VIE entities and has the ability to affect those returns through its power over them and is considered to control them. Consequently, the Company regards VIE entities as indirect subsidiaries under HKFRS. The Group has included the financial position and results of these VIE entities in the consolidated financial statements from date of acquisition of control. The management of the Group is of the opinion that these contractual arrangements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable.

iii. Jinhua Fenghuang Interactive Entertainment Network Technology Co., Ltd. was dissolved on 29 November 2016, in which the Group held 55.45% equity interest as at 29 November 2016.

(b) The Company has undertaken to provide the necessary financial resources to support the future operations of the subsidiaries within the Group. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2016.

(c) The Group has assessed the existence of control over these subsidiaries where it does not have more than 50% of the voting power but is able to govern the financial and operating policies of these subsidiaries by virtue of de-facto control.

(d) Cash and short-term deposits of HK$1,808,765,000 (2015: HK$1,863,416,000) held in the PRC are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 are HK$1,603,304,000 (2015: HK$1,530,008,000), of which HK$290,972,000 (2015: HK$292,830,000) is attributed to PMM Beijing and its subsidiaries (collectively referred to as "PMM Group"); HK$1,157,623,000 (2015: HK$1,034,828,000) is attributed to Phoenix New Media Limited ("PNM") and its subsidiaries (collectively referred to as "PNM Group"); and HK$162,652,000 (2015: HK$202,230,000) is attributed to Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"). The non-controlling interests in respect of other subsidiaries in which the Group holds less than 100% are not material.

Set out below are the summarised financial information for PMM Group, PNM Group and Phoenix Oriental that have non-controlling interests that are material to the Group. See Note 40 for transactions with non-controlling interests.

Summarised balance sheet

	PMM Group		PNM Group		Phoenix Oriental	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current assets	**450,219**	395,761	**2,328,133**	2,278,848	**48,429**	38,532
Current liabilities	**(211,209)**	(190,835)	**(1,119,874)**	(907,293)	**(926,189)**	(199,010)
Net current assets/(liabilities)	**239,010**	204,926	**1,208,259**	1,371,555	**(877,760)**	(160,478)
Non-current assets	**292,827**	335,611	**1,227,511**	799,460	**2,007,308**	2,162,076
Non-current liabilities	**–**	–	**(1,485)**	(1,590)	**(587,375)**	(1,327,496)
Net non-current assets	**292,827**	335,611	**1,226,026**	797,870	**1,419,933**	834,580
Net assets	**531,837**	540,537	**2,434,285**	2,169,425	**542,173**	674,102
Non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**(7,574)**	–	**3,934**	1,127	**–**	–
Net assets attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**524,263**	540,537	**2,438,219**	2,170,552	**542,173**	674,102
Non-controlling interests	**290,972**	292,830	**1,157,623**	1,034,828	**162,652**	202,230

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	PMM Group		PNM Group		Phoenix Oriental	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**609,485**	567,094	**1,629,661**	1,920,708	**31,999**	14,650
Profit/(loss) before income tax	**66,628**	59,212	**385,800**	124,798	**(43,371)**	3,873
Income tax expense	**(21,072)**	(20,861)	**(16,730)**	(31,692)	**(5,173)**	(24,189)
Profit/(loss) after income tax	**45,556**	38,351	**369,070**	93,106	**(48,544)**	(20,316)
Other comprehensive income	**–**	–	**18,081**	42,481	**–**	–
Profit/(loss) and total comprehensive income for the year	**45,556**	38,351	**387,151**	135,587	**(48,544)**	(20,316)
Total comprehensive income for the year attributable to non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**909**	–	**2,807**	1,474	**–**	–
Total comprehensive income for the year attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**46,465**	38,351	**389,958**	137,061	**(48,544)**	(20,316)
Total comprehensive income allocated to non-controlling interests	**23,828**	20,891	**169,519**	58,097	**(14,563)**	(10,158)
Dividends paid to non-controlling interests	**15,046**	41,552	**–**	–	**–**	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised cash flows

	PMM Group		PNM Group		Phoenix Oriental	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from/(used in) operations	**71,421**	59,765	**303,070**	330,496	**(52,018)**	(109,520)
Income tax paid	**(19,180)**	(10,518)	**(59,027)**	(47,610)	**–**	–
Net cash generated from/(used in) operating activities	**52,241**	49,247	**244,043**	282,886	**(52,018)**	(109,520)
Net cash (used in)/generated from investing activities	**(19,704)**	39,846	**(206,723)**	(905,658)	**(1,058)**	(24,275)
Net cash (used in)/generated from financing activities	**(19,142)**	(76,292)	**243,151**	92,400	**63,743**	49,051
Net increase/(decrease) in cash and cash equivalents	**13,395**	12,801	**280,471**	(530,372)	**10,667**	(84,744)
Cash and cash equivalents at beginning of year	**169,951**	164,645	**1,051,847**	1,640,025	**33,703**	122,021
Net exchange losses on cash and cash equivalents	**(10,783)**	(7,495)	**(79,630)**	(57,806)	**(2,635)**	(3,574)
Cash and cash equivalents at end of year	**172,563**	169,951	**1,252,688**	1,051,847	**41,735**	33,703

The information above is the amount before inter-company eliminations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables $'000	**Financial assets at fair value through profit and loss $'000**	**Available-for-sale $'000**	**Total $'000**
Assets as per consolidated balance sheet				
31 December 2016				
Available-for-sale financial assets (Note 27)	**–**	**–**	**617,835**	**617,835**
Derivative financial instruments (Note 38)	**–**	**468,933**	**–**	**468,933**
Financial assets at fair value through profit or loss (Note 26)	**–**	**19,003**	**–**	**19,003**
Bank deposits (Note 28)	**394,666**	**–**	**–**	**394,666**
Pledged bank deposits (Note 37)	**807,162**	**–**	**–**	**807,162**
Accounts receivable (Note 22)	**721,566**	**–**	**–**	**721,566**
Other receivables (Note 23)	**424,791**	**–**	**–**	**424,791**
Amounts due from related companies (Note 25)	**261,774**	**–**	**–**	**261,774**
Restricted cash (Note 29)	**548**	**–**	**–**	**548**
Cash and cash equivalents (Note 30)	**2,283,990**	**–**	**–**	**2,283,990**
Total	**4,894,497**	**487,936**	**617,835**	**6,000,268**

	Loans and receivables $'000	Financial assets at fair value through profit and loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2015				
Available-for-sale financial assets (Note 27)	–	–	391,412	391,412
Derivative financial instruments (Note 38)	–	216,742	–	216,742
Financial assets at fair value through profit or loss (Note 26)	–	18,896	–	18,896
Bank deposits (Note 28)	462,147	–	–	462,147
Pledged bank deposits (Note 37)	655,192	–	–	655,192
Accounts receivable (Note 22)	843,680	–	–	843,680
Other receivables (Note 23)	841,470	–	–	841,470
Amounts due from related companies (Note 25)	135,394	–	–	135,394
Amounts due from joint ventures (Note 17)	1,500	–	–	1,500
Restricted cash (Note 29)	1,505	–	–	1,505
Cash and cash equivalents (Note 30)	2,542,692	–	–	2,542,692
Total	5,483,580	235,638	391,412	6,110,630

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Financial instruments by category (Continued)

	Financial liability at fair value through profit or loss $'000	**Financial liabilities at amortised cost** $'000	**Total** $'000
Liabilities per consolidated balance sheet			
31 December 2016			
Derivative financial instruments (Note 38)	**1,802**	**–**	**1,802**
Accounts payable, other payables and accruals (Note 34)	**–**	**1,042,744**	**1,042,744**
Borrowings			
– Secured bank borrowings (Note 35(a))	**–**	**981,759**	**981,759**
– Loans from non-controlling shareholders of subsidiaries (Note 35(b))	**–**	**285,704**	**285,704**
Total	**1,802**	**2,310,207**	**2,312,009**
31 December 2015			
Derivative financial instruments (Note 38)	3,228	–	3,228
Accounts payable, other payables and accruals (Note 34)	–	1,162,106	1,162,106
Borrowings			
– Secured bank borrowings (Note 35(a))	–	1,214,076	1,214,076
– Loans from non-controlling shareholders of subsidiaries (Note 35(b))	–	222,276	222,276
Total	3,228	2,598,458	2,601,686

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

21 Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Accounts receivable

	2016 **$'000**	2015 $'000
Counterparties without external credit rating		
Group 1	**31,804**	46,660
Group 2	**825,683**	900,552
	857,487	947,212

Other receivables

	2016 **$'000**	2015 $'000
Counterparties without external credit rating		
Group 1	**26,916**	26,828
Group 2	**397,875**	814,642
	424,791	841,470

Amounts due from related companies

	2016 **$'000**	2015 $'000
Counterparties without external credit rating		
Group 2	**261,774**	135,394

Group 1 – new customers/related parties (less than 6 months).

Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

21 Credit quality of financial assets (Continued)

Cash and cash equivalents

Ratings by rating agencies of banks at which cash and deposits are held

	2016	2015
	$'000	$'000
AA -	**365,083**	460,953
A+	**5,012**	28
A	**26,715**	27,401
A-	**1,105,004**	1,477,570
BBB+	**676,947**	517,618
BBB	**50,770**	20,355
Others (Note a)	**53,693**	37,880
	2,283,224	2,541,805

Note a: Others represented cash held at banks without credit rating. These banks are reputable banks with no defaults in the past.

Restricted cash

	2016	2015
	$'000	$'000
AA-	**–**	943
A+	**322**	–
A	**226**	562
	548	1,505

Available-for-sale financial assets

	2016	2015
	$'000	$'000
Others (Note b)	**617,835**	391,412

Note b: Balance represents investments in debt and equity securities of private companies which credit ratings are not available.

21 Credit quality of financial assets (Continued)

Bank deposits

	2016 **$'000**	2015 $'000
AA-	**–**	37,535
A-	**162,974**	189,519
BBB+	**225,294**	193,193
BBB	**6,398**	16,569
Others	**–**	25,331
	394,666	462,147

Pledged bank deposits

	2016 **$'000**	2015 $'000
AA-	**807,162**	655,192

Financial assets at fair value through profit or loss

	2016 **$'000**	2015 $'000
AA-	**19,003**	18,896

None of the financial assets that are fully performing has been renegotiated during the year (2015: Nil).

22 Accounts receivable, net

	2016 **$'000**	2015 $'000
Accounts receivable	**857,487**	947,212
Less: Provision for impairment	**(135,921)**	(103,532)
	721,566	843,680

The carrying amounts of accounts receivable, net, approximate their fair values.

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 23). The Group generally requires its advertising customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22 Accounts receivable, net (Continued)

At 31 December 2016, the ageing analysis of the accounts receivable from customers was as follows:

	2016 $'000	2015 $'000
0–30 days	**263,339**	230,830
31–60 days	**162,671**	149,543
61–90 days	**108,982**	102,032
91–120 days	**67,873**	89,815
Over 120 days	**254,622**	374,992
	857,487	947,212
Less: Provision for impairment	**(135,921)**	(103,532)
	721,566	843,680

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2016 $'000	2015 $'000
RMB	**824,658**	895,331
US$	**28,995**	46,274
UK pound	**2,709**	4,511
Other currencies	**1,125**	1,096
	857,487	947,212

Movements on the Group's provision for impairment of accounts receivable are as follows:

	2016 $'000	2015 $'000
At 1 January	**103,532**	53,333
Provision for impairment	**66,587**	74,958
Receivables written off during the year as uncollectible	**(16,884)**	(21,996)
Reversal of provision for impairment	**(8,103)**	–
Currency translation differences	**(9,211)**	(2,763)
At 31 December	**135,921**	103,532

The creation and release of provision for impaired accounts receivables of approximately HK$58,484,000 (2015: HK$74,958,000) have been included in "Selling, general and administrative expenses" in the consolidated income statement (Note 7). The Group has written off approximately HK$16,884,000 (2015: HK$21,996,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year because there is no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22 Accounts receivable, net (Continued)

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

As at 31 December 2016, accounts receivable of approximately HK$184,237,000 (2015: HK$385,117,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2016	2015
	$'000	$'000
0–30 days	**47,438**	80,165
31–60 days	**34,533**	43,729
61–90 days	**10,850**	48,597
91–120 days	**11,090**	43,649
Over 120 days	**80,326**	168,977
	184,237	385,117

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. Refer to Note 3(d) for collaterals held by the Group.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

23 Prepayments, deposits and other receivables

	2016 $'000	2015 $'000
Prepayment and deposits	**186,547**	185,870
Other receivables	**424,791**	841,470
	611,338	1,027,340
Less: Non-current portion	**(46,008)**	(50,557)
Current portion	**565,330**	976,783

Included in other receivables is an amount of approximately RMB219,570,000 (HK$248,356,000) (2015: RMB568,728,000 (HK$689,159,000)) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

Pursuant to a service agreement signed between Shenzhou and the Group dated 5 June 2015, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangements such as that of the Group with Shenzhou. Therefore the extent of the enforceability of the arrangement is still unclear. Although the management recognises that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB219,570,000 (HK$248,356,000) as at 31 December 2016 (2015: approximately RMB568,728,000 (HK$689,159,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

23 Prepayments, deposits and other receivables (Continued)

As at 31 December 2016, other receivables of HK$424,791,000 (2015: HK$841,470,000) were past due but not impaired. These relate to Shenzhou and a number of independent debtors for whom there is no recent history of default. The ageing analysis of these other receivables is as follows:

	2016	2015
	$'000	$'000
Up to 90 days	**181,944**	383,923
91 to 180 days	**138,420**	329,029
Over 180 days	**104,427**	128,518
	424,791	841,470

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2016	2015
	$'000	$'000
RMB	**416,433**	826,486
US$	**728**	726
HK$	**4,039**	10,679
UK pound	**2,658**	3,165
Other currencies	**933**	414
	424,791	841,470

As at 31 December 2016, other receivables of HK$11,535,000 (2015: HK$16,325,000) were impaired. During the year ended 31 December 2016, the Group has written off approximately HK$Nil (2015: HK$13,798,000) of other receivables against the provision for impairment of other receivable made in prior years.

The maximum exposure to credit risk at the reporting date is the carrying value of the prepayment, deposits and other receivables mentioned above. The Group does not hold any collateral as security.

24 Inventories

	2016	2015
	$'000	$'000
Decoder devices and satellite receivers	**3,046**	3,009
Merchandised goods	**5,410**	5,570
	8,456	8,579

The cost of inventories sold of approximately HK$1,798,000 (2015: HK$695,000) for the year ended 31 December 2016 is charged to the consolidated income statement.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

25 Amounts due from related companies

	2016 **$'000**	2015 $'000
Amounts due from related companies		
– Joint ventures (Note a)	**20,845**	35,225
– An associate	**17**	–
– Other related companies	**240,912**	100,169
	261,774	135,394

(a) Amounts due from joint ventures

	2016 **$'000**	2015 $'000
Amounts due from joint ventures	**43,256**	46,963
Less: Provision for impairment	**(22,411)**	(11,738)
Amounts due from joint ventures, net	**20,845**	35,225

During the year ended 31 December 2016, the Group recorded a reversal of provision for impairment of HK$1,224,000 (2015: provision for impairment of HK$11,738,000), included in "other gains/(losses), net" after taking into account the present value of the estimated cash flows from the joint venture. In addition, the amount due from a joint venture of HK$12,743,000 and the related provision for impairment of HK$11,243,000, classified as non-current asset as at 31 December 2015 (Note 17), have been reclassified to current asset as the loan was repayable within 1 year as at 31 December 2016.

(b) At 31 December 2016, the ageing analysis of the amounts due from related companies, were as follows:

	2016 **$'000**	2015 $'000
Amounts due from related companies		
0–90 days	**102,250**	64,435
91–120 days	**12,818**	7,275
Over 120 days	**146,706**	63,684
	261,774	135,394

25 Amounts due from related companies (Continued)

(b) (Continued)

As at 31 December 2016, amounts due from related companies of HK$159,524,000 (2015: HK$62,315,000) were past due but not impaired.

	2016 **$'000**	2015 $'000
Amounts due from related companies		
Up to 90 days	**131,808**	17,469
91–180 days	**12,229**	15,290
Over 180 days	**15,487**	29,556
	159,524	62,315

(c) The amount due from related companies are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$168,427,000 (2015: HK$Nil) due from Particle (see Note 43) which is unsecured, interest bearing at a range of 4.35% to 9% per annum and repayable within one year and trade receivables from related parties which are repayable in accordance with credit terms.

The carrying amounts of amounts due from related companies approximate their fair values as the impact of discounting is not significant.

The maximum exposure of amounts due from related companies to credit risk at the reporting date is the carrying value mentioned above.

(d) The carrying amounts of the Group's amounts due from related companies are denominated in RMB.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

26 Financial assets at fair value through profit or loss

	2016 **$'000**	2015 $'000
Trading equity securities	**19,003**	18,896

As at 31 December 2016, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$19,003,000 (2015: HK$18,896,000).

Fair value gain on financial assets at fair value through profit or loss of HK$107,000 (2015: fair value loss of HK$3,694,000) are recognised in "Other gains/(losses), net" in the consolidated income statement (Note 6) and are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (Note 39).

These shares are held for trading. The fair value of these shares is based on the current bid prices in an active market. As at 31 December 2016, the closing price of the shares of HSBC listed in Hong Kong was HK$62.3 (2015: HK$61.9). If the price of the shares of HSBC increased/decreased by 20% with all other variables held constant, post-tax profit for the year would have been HK$3,801,000 (2015: HK$3,779,000) higher/lower.

27 Available-for-sale financial assets

	2016 **$'000**	2015 $'000
Balance, beginning of year	**391,412**	32,770
Additions (Note 43)	**134,730**	300,443
Transfer (Note 18)	**(1,212)**	–
Provision for impairment	**–**	(7,805)
Fair value gain	**11,650**	15,116
Interest income	**81,024**	51,249
Currency translation differences	**231**	(361)
Balance, end of year	**617,835**	391,412

Available-for-sale financial assets include the following:

	2016 **$'000**	2015 $'000
Unlisted securities:		
– Preferred Shares – debt component	**605,849**	390,200
– Equity securities	**11,986**	1,212
	617,835	391,412

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

27 Available-for-sale financial assets (Continued)

(a) The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

	2016 **$'000**	2015 $'000
RMB	**2,262**	1,212
US$	**615,573**	390,200
	617,835	391,412

(b) The Group held equity interest in LLT amounting to RMB1,000,000 (approximately HK$1,212,000) as at 31 December 2015. On 20 May 2016, Beijing Huibo Advertisement Media Limited Company (北京滙播廣告傳媒有限公司) ("Huibo"), an indirect wholly-owned subsidiary of the Company, Mr. He Xin, Mr. Zhang Zhen (together "Major Shareholders") and LLT entered into an investment agreement ("Agreement"), pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK$45,607,000) to subscribe for an additional of approximately 1.25% equity interest in the enlarged capital of LLT. At the same time, other investors also agreed to subscribe an aggregate of approximately 4.88% equity interest in LLT for RMB165,000,000 (approximately HK$197,324,000).

Under the Agreement, Huibo and other investors were granted both call options and put options ("Options") with the same exercise terms. The call option enables the holder to further acquire a maximum of 8.75% additional equity interest in LLT at RMB1 per share from the Major Shareholders in the event that LLT cannot achieve the expected transaction amounts or revenues for the years ending 31 December 2016 and 2017. The put option grants the holder the right to request LLT to repurchase those equity interest acquired by Huibo on or after the date of the Agreement for a consideration equivalent to the aggregate of the initial investment costs of the relevant equity interest and the return of investment based on an annual rate of return of 10% should LLT fail to list, or decide not to list, on a recognised stock exchange in or outside the PRC before 31 December 2020.

The aforesaid capital increase was completed during the year and the Group indirectly held approximately 8.54% effective equity interest in LLT. The directors of the Company considered that the Group now has significant influence over LLT through its representative on the board of directors of LLT, LLT's reliance on the branding of Phoenix, and the relationship of the controlling shareholder of LLT with the Group (Note 42 (i)(e)). The previously held equity interest amounting to HK$1,212,000 has therefore been reclassified from "available-for-sale financial assets" to "investment in associates". The total investment costs in LLT of RMB39,136,000 (approximately HK$46,819,000) have been separated into (i) "investments in associates" which are accounted for using the equity method of accounting; and (ii) "derivative financial assets" for the call and put options (Note 38) which were measured at fair value of HK$17,812,000 as at 31 December 2016 based on an external valuation report.

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28 Bank deposits

	2016 $'000	2015 $'000
Short-term deposits (Note a)	**394,666**	462,147

(a) Short-term bank deposits represent bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposits. The carrying amounts of bank deposits are denominated in the following currencies:

	2016 $'000	2015 $'000
RMB	**251,486**	308,400
US$	**143,180**	153,747
	394,666	462,147

(b) During the year ended 31 December 2016, the Group recorded HK$48,247,000 interest income from bank deposits and pledged bank deposits (2015: HK$66,435,000)

29 Restricted cash

Restricted cash represents funds pledged to banks to secure banking guarantee and advance payment.

	2016 $'000	2015 $'000
RMB	**226**	242
UK pound	**–**	943
EURO	**322**	320
	548	1,505

30 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and on hand	**1,016,475**	1,294,537
Short-term bank deposits	**1,267,515**	1,248,155
	2,283,990	2,542,692
Maximum exposure to credit risk	**2,283,224**	2,541,805
Denominated in:		
– HK$	**50,877**	81,992
– RMB	**1,295,816**	1,711,931
– US$	**927,190**	737,029
– Other currencies	**10,107**	11,740
	2,283,990	2,542,692

Cash and cash equivalents include cash at bank and on hand and short-term bank deposits with an original maturity of three months or less for the purpose of the consolidated statement of cash flows.

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31 Bank facilities

As at 31 December 2016, the Group has undrawn banking facilities of HK$325,610,000 (2015: HK$100,354,000).

32 Share capital

	2016 Number of shares	**2016** Amount $'000	2015 Number of shares	2015 Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 January	**5,000,993,500**	**500,099**	4,997,695,500	499,769
Exercise of share options	**6,000**	**1**	3,298,000	330
At 31 December	**5,000,999,500**	**500,100**	5,000,993,500	500,099

33 Share-based compensation

(a) Share options of the Company

The Company has several share option schemes under which it may grant options to employees of the Group (including executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016 Average exercise price in HK$ per share	**2016** Options '000	2015 Average exercise price in HK$ per share	2015 Options '000
At 1 January	**2.86**	**102,034**	2.83	107,378
Exercised	**1.45**	**(6)**	1.98	(3,298)
Lapsed	**2.92**	**(2,190)**	2.92	(2,046)
At 31 December	**2.86**	**99,838**	2.86	102,034

As at 31 December 2016, out of the 99,838,000 (2015: 102,034,000) outstanding options, 99,838,000 (2015: 102,034,000) were exercisable. Options exercised in 2016 resulted in 6,000 (2015: 3,298,000) shares being issued at an average exercise price HK$1.79 each (2015: HK$1.98). The related weighted average share price at the time of exercise was HK$1.83 (2015: HK$3.02) per share.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33 Share-based compensation (Continued)

(a) Share options of the Company (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share	Share options 2016 '000	Share options 2015 '000
25 March 2017	1.45	**3,944**	4,450
21 July 2019	1.17	**250**	250
8 March 2021	2.92	**92,854**	94,544
27 June 2021	3.06	**2,790**	2,790
		99,838	102,034

(b) Share options of PNM

PNM has a share option scheme under which it may grant options to the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates ("PNM Share Option Scheme"). Options are granted and exercisable in accordance with terms set out in the PNM Share Option Scheme. PNM has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2016, PNM implemented an option exchange program from 21 October 2016 to 1 November 2016, whereby PNM's directors, employees and consultants exchanged options to purchase 21,011,951 Class A ordinary shares of PNM granted under PNM's 2008 Share Option Plan with various exercise prices greater than US$0.4823 per share (or US$3.8587 per ADS) for new options granted by PNM under the same plan 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. PNM accounted for the option exchange program as option modification and recognised the total incremental share-based compensation of US$1.7 million (approximately HK$13 million), of which US$0.4 million (approximately HK$3 million) was recognised in the year ended 31 December 2016.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016 Average exercise price in US$ per share	**2016** Options '000	2015 Average exercise price in US$ per share	2015 Options '000
At 1 January	**0.80647**	**46,118**	0.79232	50,267
Granted	**0.47339**	**9,992**	0.91550	8,020
Lapsed	**0.93607**	**(10,006)**	1.02549	(8,379)
Excercised	**0.22112**	**(1,659)**	0.36462	(3,790)
At 31 December	**0.42754**	**44,445**	0.80647	46,118

As at 31 December 2016, out of the 44,445,000 (2015: 46,118,000) outstanding options, 12,803,000 (2015: 19,685,000) were excercisable. Options excercised in 2016 resulted in 1,659,000 (2015: 3,790,000) shares being issued at an average exercise price of US$0.22112 (2015: US$0.36462). The related weighted average share price at the time of exercise was US$0.46 (2015: US$0.77) per share.

Management estimates the fair values of options at the grant dates. The fair values of the options were determined using the Black-Scholes model. The key assumptions used in the valuation of the fair value of the options granted on respective dates are set out in the below table.

Date of grant	**Fair value of share options** (US$)	**Closing share price at grant date** (US$)	**Exercise price per share** (US$)	**Annual risk-free interest rate** (%)	**Expected life of options** (years)	**Expected volatility** (%)
15 March 2013	0.29895	0.5125	0.44593	1.54%	6.16	58.10%
23 May 2013	0.37349	0.61125	0.46565	1.60%	6.16	57.60%
1 October 2013	0.9615	1.40625	0.7867	1.87%	6.16	58.20%
8 October 2013	1.0998	1.5775	0.8249	1.88%	6.16	58.20%
10 December 2013	0.6609	1.1575	1.08443	1.71%	6.16	58.40%
14 March 2014	0.8336	1.405	1.3100	1.88%	6.16	62.20%
4 June 2014	0.6626	1.230	1.2749	1.61%	6.16	56.98%
11 July 2014	0.6608	1.236	1.3035	1.60%	6.16	56.38%
11 October 2014	0.6608	1.093	0.8249	1.60%	5.81	56.13%
16 July 2015	0.4658	0.8825	0.9155	1.98%	6.16	54.32%
17 October 2016	0.2342	0.45125	0.4734	1.5477%	6.16	55.30%
21 October 2016	0.1732-0.2193	0.4525	0.4823	1.2979%	3.91-5.39	50.67%-55.65%

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in US$ per share	Share options 2016 '000	Share options 2015 '000
25 May 2018	0.03215	**5,055**	5,956
14 March 2023	0.445925	**5,855**	8,244
22 May 2023	0.46565	**2,900**	2,900
30 September 2023	0.7867	**56**	56
7 October 2023	0.4823	**2,670**	4,832
9 December 2023	0.4823	**1,900**	1,900
3 June 2024	0.4823	**475**	940
4 June 2024	0.4823	**50**	550
10 July 2024	0.4823	**9,645**	12,918
10 October 2024	0.4823	**162**	162
15 July 2025	0.91555	**395**	7,660
15 July 2025	0.4823	**5,700**	–
16 October 2026	0.4733875	**9,582**	–
		44,445	46,118

(c) Restricted share units of PNM

On 15 March 2011, PNM adopted the restricted share unit ("RSU") scheme.

Movement in RSU during the year is as follows:

	2016 RSU'000	2015 RSU'000
At 1 January	**–**	33
Vested	**–**	(33)
At 31 December	**–**	–

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

34 Accounts payable, other payables and accruals

	2016 **$'000**	2015 $'000
Accounts payable	**354,187**	392,446
Other payables and accruals	**702,912**	776,547
	1,057,099	1,168,993
Less: Non-financial liabilities	**(14,355)**	(6,887)
	1,042,744	1,162,106

At 31 December 2016, the ageing analysis of the accounts payable was as follows:

	2016 **$'000**	2015 $'000
0–30 days	**216,751**	202,278
31–60 days	**12,838**	22,216
61–90 days	**7,072**	18,362
91–120 days	**15,333**	19,842
Over 120 days	**102,193**	129,748
	354,187	392,446

The carrying amounts of accounts payable, other payables and accruals approximate their fair values.

The carrying amounts of accounts payable, other payables and accruals are denominated in the following currencies:

	2016 **$'000**	2015 $'000
HK$	**209,807**	298,924
RMB	**823,222**	850,987
US$	**7,194**	7,928
UK pound	**1,983**	3,697
Other currencies	**538**	570
	1,042,744	1,162,106

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

35 Borrowings

	2016 $'000	2015 $'000
Secured bank borrowings (Note a)	**981,759**	1,214,076
Loans from non-controlling shareholders of subsidiaries (Note b)	**285,704**	222,276
	1,267,463	1,436,352

(a) Secured bank borrowings

	2016 $'000	2015 $'000
Non-current		
Long term secured bank borrowings	**349,464**	782,469
Current		
Current portion of long-term secured bank borrowings	**632,295**	431,607
Total secured bank borrowings	**981,759**	1,214,076

	2016 $'000	2015 $'000
The secured bank borrowings are repayable as follows:		
– within one year	**632,295**	431,607
– more than one year but not exceeding two years	**206,089**	229,118
– more than two years but not exceeding five years	**141,388**	163,580
– more than five years	**1,987**	389,771
	981,759	1,214,076

As at 31 December 2016, bank borrowings of HK$209,254,000 (2015: HK$599,791,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$102,000,000 (2015: HK$112,000,000), HK$425,000,000 (2015: HK$487,000,000) and HK$1,452,000,000 (2015: HK$1,534,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.48% (2015: 6.73%) annually.

A bank borrowing of HK$1,988,000 (as at 31 December 2015: HK$2,027,000) is secured by a property in the United States with carrying value of approximately HK$2,774,000 (as at 31 December 2015: HK$2,810,000) recorded in property, plant and equipment as at 31 December 2016. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59% annually (as at 31 December 2015: 3.59%) annually.

Bank borrowings of HK$770,517,000 (as at 31 December 2015: HK$612,258,000) are secured by bank deposits of HK$807,162,000 (as at 31 December 2015: HK$655,192,000) as at 31 December 2016 (Note 37).

35 Borrowings (Continued)

(b) Loans from non-controlling shareholders of subsidiaries

	2016 $'000	2015 $'000
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**266,430**	176,789
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**19,274**	45,487
Total loans from non-controlling shareholders of subsidiaries	**285,704**	222,276

The loans from non-controlling shareholders of subsidiaries are repayable as follows:

	2016 $'000	2015 $'000
– Within one year	**19,274**	45,487
– More than one year but not exceeding two years	**89,922**	98,632
– More than two years but not exceeding five years	**158,410**	58,770
– More than five years	**18,098**	19,387
	285,704	222,276

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2015: same).

(c) The carrying amounts and fair values of the borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Secured bank borrowings	**981,759**	1,214,076	**981,759**	1,214,076
Loans from non-controlling shareholders of subsidiaries	**285,704**	222,276	**239,481**	208,396
	1,267,463	1,436,352	**1,221,240**	1,422,472

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.48% (2015: 6.48%) and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

36 Deferred income tax

Deferred income tax assets and deferred income tax liabilities on the consolidated balance sheet are analysed as follows:

	2016 **$'000**	2015 $'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(7,819)**	(6,058)
– Deferred income tax assets to be recovered within 12 months	**(62,030)**	(44,576)
	(69,849)	(50,634)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**167,980**	163,598
Deferred income tax liabilities, net	**98,131**	112,964

The gross movements in the deferred income tax liabilities, net are as follows:

	2016 **$'000**	2015 $'000
At 1 January	**112,964**	112,463
(Credited)/charged to the consolidated income statement (Note 9)	**(9,117)**	5,486
Currency translation differences	**(5,716)**	(4,985)
At 31 December	**98,131**	112,964

Deferred taxation for the year ended 31 December 2016 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$165,024,000 (2015: HK$166,113,000) in respect of unrecognised tax losses of HK$1,000,144,000 as at 31 December 2016 (2015: HK$1,006,744,000) that can be carried forward against future taxable income. Approximately HK$862,936,000 (2015: HK$985,610,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2028.

As at 31 December 2016, deferred income tax liabilities of HK$25,263,000 (2015: HK$20,394,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of HK$284,614,000 (2015: HK$259,940,000) of certain PRC subsidiaries. Since the Directors consider the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future, no withholding tax has been provided.

36 Deferred income tax (Continued)

The movement in deferred tax income assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of assets		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**4,257**	9,965	**160,523**	142,911	**164,780**	152,876
(Credited)/charged to the consolidated income statement	**(2,397)**	(5,637)	**17,509**	24,189	**15,112**	18,552
Current translation differences	**(106)**	(71)	**(11,206)**	(6,577)	**(11,312)**	(6,648)
At 31 December	**1,754**	4,257	**166,826**	160,523	**168,580**	164,780

Deferred income tax assets

	Tax losses		Provisions		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(9,107)**	(8,107)	**(42,709)**	(32,306)	**(51,816)**	(40,413)
Credited to the consolidated income statement	**–**	(1,000)	**(24,229)**	(12,066)	**(24,229)**	(13,066)
Current translation differences	**–**	–	**5,596**	1,663	**5,596**	1,663
At 31 December	**(9,107)**	(9,107)	**(61,342)**	(42,709)	**(70,449)**	(51,816)

37 Pledged bank deposits

As at 31 December 2016, two bank deposits of approximately HK$406,072,000 (as at 31 December 2015: US$ denominated bank deposits of approximately HK$503,703,000) bearing fixed interest rates ranging from 1.45% to 1.52% (as at 31 December 2015: 1.45% to 2%) per annum, are pledged to a bank to secure two bank borrowings of approximately HK$364,902,000 (as at 31 December 2015: HK$453,470,000) (Note 35(a)). The bank borrowings bear interests at LIBOR plus 0.4% and HIBOR plus 0.45% per annum respectively (as at 31 December 2015: ranging from LIBOR plus 0.4% to 0.7% per annum). The Group has entered into two interest rate swap contracts with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation ranging from 1.39% to 1.4% per annum (as at 31 December 2015: 1.39% to 1.55% per annum). The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 31 December 2016, the fair values of the outstanding interest rate swap contracts of HK$1,582,000 and HK$220,000 (as at December 2015: HK$1,793,000 and HK$401,000) have been recorded as derivative financial instruments under non-current liabilities and current liabilities respectively in the consolidated balance sheet (Note 38).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

37 Pledged bank deposits (Continued)

As at 31 December 2016, RMB denominated short-term bank deposits of approximately HK$401,090,000 (as at 31 December 2015: HK$151,462,000) bearing fixed interest rates ranging from 1.76% to 2.18% per annum (as at 31 December 2015: 3% per annum), is pledged to a bank to secure a RMB denominated long term bank borrowing of approximately HK$405,615,000 (as at 31 December 2015: HK$158,788,000) (Note 35). The bank borrowing bears interest at LIBOR plus 1%.

The fair values of pledged bank deposits approximate their carrying amounts.

38 Derivative financial instruments

	Asset		**Liability**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Preferred Shares				
derivative component (Note 43)	**440,261**	216,742	**–**	–
Convertible loan				
– derivative component (Note 43)	**10,860**	–	**–**	–
Options	**17,812**	–	**–**	–
Interest rate swap contracts (Note 37)	**–**	–	**(1,802)**	(2,194)
Currency swap contract	**–**	–	**–**	(1,034)
Total	**468,933**	216,742	**(1,802)**	(3,228)
Less: non-current portion				
– Preferred shares – derivative component	**(440,261)**	(216,742)	**–**	–
– Interest rate swap contract	**–**	–	**220**	1,793
– Options	**(17,812)**	–	**–**	–
Current portion				
– Interest rate swap contract	**–**	–	**(1,582)**	(401)
– Currency swap contract	**–**	–	**–**	(1,034)
Convertible loan – derivative component	**10,860**	–	**–**	–
	10,860	–	**(1,582)**	(1,435)
Balance, beginning of year	**216,742**	56,105	**(3,228)**	(1,137)
Addition	**70,538**	205,563	**–**	–
Fair value gain/(loss), net	**181,579**	(44,696)	**1,426**	(2,091)
Currency translation differences	**74**	(230)	**–**	–
Balance, end of year	**468,933**	216,742	**(1,802)**	(3,228)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2016 **$'000**	2015 $'000
Profit before income tax	**479,823**	291,707
Amortisation of lease premium for land	**5,786**	5,949
Depreciation of property, plant and equipment	**220,114**	251,543
Amortisation of purchased programme and film rights	**16,358**	19,025
Amortisation of intangible assets	**1,663**	1,564
Share-based compensation expense	**2,458**	44,182
Provision for impairment of accounts receivable	**66,587**	74,958
Reversal of provision for impairment of accounts receivable	**(8,103)**	–
Provision for impairment of available-for-sale asset	**–**	7,805
(Reversal of provision for)/provision for impairment of amounts due from joint ventures	**(1,224)**	39,285
Provision for impairment of investment in a joint venture	**–**	3,854
Reversal of provision for impairment of amount due from an associate	**–**	(301)
Loss on disposal of property, plant and equipment	**678**	952
Gain on disposal of property, plant and equipment	**(533)**	(39)
Gain on disposal of subsidiaries and associates	**(49,344)**	(5,214)
Share of profits less losses of joint ventures	**4,906**	18,624
Share of profits less losses of associates	**12,946**	18,919
Fair value gain on investment properties	**(21,127)**	(98,939)
Interest income	**(149,859)**	(117,684)
Interest expense on bank borrowings	**41,171**	49,625
Investment income	**(8,878)**	(9,932)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(107)**	3,694
Fair value (gain)/loss on derivative financial instruments	**(183,005)**	46,787
Impairment of property, plant and equipment	**19,811**	10,372
Decrease in other long-term assets	**4,549**	6,385
Decrease/(increase) in accounts receivable	**63,630**	(103,067)
Decrease/(increase) in prepayments, deposits and other receivables	**408,156**	(92,616)
Decrease/(increase) in inventories	**123**	(462)
Decrease/(increase) in amounts due from related companies	**37,335**	(3,990)
Decrease in self-produced programmes	**1,538**	3,236
(Decrease)/increase in accounts payable, other payables and accruals	**(36,665)**	66,810
Decrease in deferred income	**(7,144)**	(17,560)
Cash generated from operations	**921,643**	515,472

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows (Continued)

(b) Disposal of a subsidiary

During the year ended 31 December 2016, the Group disposed a subsidiary (the "Disposal").

In June 2016, certain new shareholders ("New Shareholders") contributed additional capital ("Capital Contribution") in Shanghai Phoenix Link Culture Development Co., Ltd ("Phoenix Link"), which was a non-wholly owned subsidiary of the Group. As a result, the Group's equity interest in Phoenix Link was reduced from 61.6% to 45% upon completion of the Capital Contribution. As a result of the Capital Contribution, the unilateral control of Phoenix Link by the Group was lost and only significant influence over Phoenix Link is retained.

Upon the loss of control of Phoenix Link, the Group recognised a gain of HK$49,344,000 in the consolidated income statement for the year ended 31 December 2016.

Summary regarding the Disposal completed during the year ended 31 December 2016 is as follows:

	2016 **$'000**
Total consideration satisfied by:	
Fair value of the retained interest	**53,379**
Net assets disposed of	**(4,035)**
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	**49,344**

Aggregate net cash outflows arising from the Disposals during the year ended 31 December 2016:

	2016 **$'000**
Bank balances and cash disposed of	**(4,719)**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

39 Notes to consolidated statement of cash flows (Continued)

(b) Disposal of a subsidiary (Continued)

Summary regarding the disposal completed during the year ended 31 December 2015 is as follows:

	2015 $'000
Total consideration satisfied by:	
Cash received	5,470
Net assets disposed of	(10,864)
Release of exchange reserve upon disposal	5,813
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	419

Aggregate net cash outflows arising from the disposal during the year ended 31 December 2015:

	2015 $'000
Cash consideration received	5,470
Bank balances and cash disposed of	(10,486)
	(5,016)

40 Transactions with non-controlling interests

(a) Deemed disposal of partial interest in PNM and acquisition of additional interest in PNM

During the year ended 31 December 2016, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 55.61% to 55.45%. The Group recognised a deemed net loss of approximately HK$2,233,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$7,775,000 for the year ended 31 December 2016.

During the year ended 31 December 2015, as a result of the vesting of restricted share units, the exercise of share options by the option holders and the repurchase of American Depositary Shares, the Group's equity interest in PNM was increased from 54.75% to 55.61%. The Group recognised a deemed net loss of approximately HK$13,065,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$49,492,000 for the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

40 Transactions with non-controlling interests (Continued)

(b) Acquisition of additional equity interests in Phoenix Oriental (Beijing) Properties Company Limited

On 19 August 2015, Phoenix Pictures Limited ("Phoenix Pictures") entered into: (i) an equity transfer agreement with non-controlling shareholders of Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"), in relation to the acquisition of additional 20% equity interests in Phoenix Oriental for a cash consideration of RMB145,735,000 (equivalent to approximately HK$175,071,000) with reference to the appraised value of the Phoenix International Media Centre (the "Acquisition") and (ii) a shareholders' loan agreement with Phoenix Oriental solely for the purposes of repaying, on a pro-rate basis, the shareholders' loans which had previously been advanced to Phoenix Oriental by the non-controlling shareholders (the "Shareholder's' loans). Upon completion of the Acquisition on 23 December 2015, Phoenix Pictures increased its equity interest in Phoenix Oriental from 50% to 70%. The Shareholders' loan have not been repaid as at 31 December 2015 and a balance of HK$77,474,000 has been included in "Other long-term liabilities". The Shareholders' loans were subsequently repaid on 13 January 2016.

The Group recognised a decrease in non-controlling interests of HK$127,879,000 and a decrease in equity attributable to owners of the Company of HK$47,192,000. The effect of changes in the ownership interest of Phoenix Oriental on the equity attributable to owners of the Company during the year is summarized as follows:

	2015 $'000
Carrying amount of non-controlling interests acquired	127,879
Consideration paid to non-controlling interests	(175,071)
Excess of consideration paid recognised within equity	(47,192)

41 Commitments

(a) Service charges

As at 31 December 2016, the Group had committed service charges payable under various agreements as follows:

	2016 **$'000**	2015 $'000
Not later than one year	**20,246**	19,568
Later than one year and not later than five years	**51,467**	71,646
	71,713	91,214

41 Commitments (Continued)

(b) Operating leases

As at 31 December 2016, the Group had rental commitments under various operating leases. Total future minimum lease payments payable in respect of land and buildings and LED panels under non-cancellable operating leases are as follows:

	2016	2015
	$'000	$'000
Not later than one year	**280,655**	174,566
Later than one year and not later than five years	**427,288**	360,649
Later than five years	**117,914**	95,758
	825,857	630,973

(c) Capital commitments

As at 31 December 2016, the Group had capital commitments as follows:

	2016	2015
	$'000	$'000
Contracted but not provided for	**5,626**	16,386

(d) Other commitments

As at 31 December 2016, the Group had other operating commitments under various agreements as follows:

	2016	2015
	$'000	$'000
Not later than one year	**150,097**	80,790
Later than one year and not later than five years	**57,882**	39,950
	207,979	120,740

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

42 Related party transactions

(i) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

	Note(s)	**2016 $'000**	2015 $'000
Service charges received/receivable from the China Mobile Communication Corporation ("CMCC") and its subsidiaries (collectively "CMCC Group")	a, b	**106,821**	199,842
Service charges paid/payable to the CMCC Group	a, c	**27,360**	57,521
Advertising sales to the CMCC Group	a, d	**39,647**	42,845
License fee received/receivable from LLT	e, f	**202**	3,822
Advertising sales to LLT	e, g	**49,979**	29,858
Rental charge received from LLT	e, h	**–**	121
Key management compensation	iii	**38,352**	45,116

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.66% of the issued share capital of the Company.

(b) Service charges received/receivable from CMCC Group related to wireless income which are charged based on terms specified in the agreements.

(c) Service charges paid/payable to CMCC Group related to video cost which are charged based on terms specified in the agreements.

(d) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels and airtime advertising on giant sized light-emitting diode panels operated by the Group.

(e) The controlling shareholder of LLT is a close family member of the Chairman of the Board and the Chief Executive Officer of the Company.

(f) The license fee received/receivable from LLT related to grant of license of domain name to LLT is charged based on terms specified in the agreement.

(g) Advertising sales to LLT are related to airtime advertising and programme sponsoring on channels and internet advertising sales based on terms specified in the agreements.

(h) The rental charge received from LLT related to rental on part of the exhibition area used by PNM.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

42 Related party transactions (Continued)

(ii) Year end balances arising from related party transactions as disclosed in Note 42(i) above were also disclosed in Note 25.

(iii) Key management compensation

	2016 **$'000**	2015 $'000
Salaries	**22,534**	22,882
Discretionary bonuses	**667**	1,142
Housing allowance	**7,615**	7,500
Pension costs	**1,730**	1,745
Share-based compensation expense	**5,806**	11,847
	38,352	45,116

43 Investments in and loans to Particle

In 2014, PNM invested in a number of Series B Preferred Shares of Particle. In 2015, PNM further invested approximately HK$496,989,000 in Series C Preferred Shares of Particle.

On 28 January 2016, the board of directors of PNM have authorised to provide short-term unsecured loans to Particle in an aggregate principal amount of up to US$20 million (approximately HK$155,138,000) (the "Loans") at an interest rate of 4.35% per annum with a term of twelve months and convertible options of which PNM may, at its option, convert all or a portion of the Loans together with any unpaid interest into Series D1 Preferred Shares ("Conversion Options", such derivative components were accounted for as "derivative financial instruments") at any time prior to 31 December 2016, subject to the completion of issuance of Series D Preferred Shares by Particle. Particle has drawn down all of the US$20 million loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20 million into 23.6 million of Series D1 Preferred Shares. Similar to Series B and C, the investment in D1 Preferred Shares have similar features and were separated into the debt component of HK$122,744,000 which were classified as "available-for-sale financial assets" ("AFS") and "derivative financial instruments" ("DFI") of HK$38,171,000 (for the Conversion Option). The investments in AFS and DFI were subsequently measured at fair value at each reporting period based on an external valuation report. Under HKAS 39, changes in fair value of the DFI are recognised in the consolidated income statement whereas all changes in fair value of AFS are recognised directly in other comprehensive income except for the interest portion of the AFS calculated using the effective interest method which is recognised in the consolidated income statement.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

43 Investments in and loans to Particle (Continued)

On 11 August 2016, PNM provided a short-term unsecured loan to Particle of US$14.8 million (approximately HK$114,802,000) (the "Convertible Loan") at an interest rate of 4.35% per annum with a term of six months and Conversion Options exercisable at any time on or before the maturity date of the Convertible Loan. The Convertible Loan represents compound financial instruments, which comprise (i) "loans and receivable" of HK$109,372,000 classified as "amounts due from related companies" and (ii) DFI of HK$5,430,000. The "loans and receivable" were carried at amortised cost and the DFI was subsequently measured at fair value at each reporting period.

On 2 November 2016, PNM also provided a short-term unsecured loan to Particle of RMB46.0 million (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months.

During the year ended 31 December 2016, the Group recognised interest income of HK$20,588,000 from the loans to Particle.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Balance sheet and reserve movement of the Company

	2016 $'000	2015 $'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**117,072**	117,072
Current assets		
Cash and cash equivalents	**15,218**	271
Amount due from a subsidiary, net	**1,923,769**	1,923,769
	1,938,987	1,924,040
Total assets	**2,056,059**	2,041,112
EQUITY		
Equity attributable to owner of the Company		
Share capital	**500,100**	500,099
Reserves (Note (a))	**1,107,228**	1,165,925
Total equity	**1,607,328**	1,666,024
LIABILITIES		
Current liabilities		
Other payables and accruals	**600**	588
Amount due to a subsidiary	**448,131**	374,500
Total liabilities	**448,731**	375,088
Total equity and liabilities	**2,056,059**	2,041,112

LIU Changle
Director

CHUI Keung
Director

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Balance sheet and reserve movement of the Company (Continued)

Note (a)

Movement in the reserves of the Company during the year was as follows:

	Treasury share reserve $'000	Share premium $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Total $'000
At 31 December 2014	–	38,973	109,622	213,266	361,861
Exercise of share options	–	8,454	(2,213)	–	6,241
Lapse of share options	–	2,192	(2,192)	–	–
Profit for the year	–	–	–	996,524	996,524
Dividends related to 2014	–	–	–	(200,040)	(200,040)
Share-based compensation expenses	–	–	1,339	–	1,339
At 31 December 2015	**–**	**49,619**	**106,556**	**1,009,750**	**1,165,925**
Exercise of share options	**–**	**10**	**(2)**	**–**	**8**
Lapse of share options	**–**	**2,047**	**(2,047)**	**–**	**–**
Buy back shares	**(5,042)**	**(18)**	**–**	**–**	**(5,060)**
Loss for the year	**–**	**–**	**–**	**(3,635)**	**(3,635)**
Dividends related to 2015	**–**	**–**	**–**	**(50,010)**	**(50,010)**
At 31 December 2016	**(5,042)**	**51,658**	**104,507**	**956,105**	**1,107,228**

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

45 Benefits and interest of directors

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2016 is set out below:

	Name of Director	As director (note (i)) Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Housing allowance	Employer contribution to a retirement benefit scheme	As management (note (ii))	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,444	9,444
2.	CHUI Keung	–	–	–	–	–	–	4,499	4,499
3.	WANG Ji Yan	–	–	–	–	–	–	3,849	3,849
4.	SHA Yuejia	–	–	–	–	–	–	–	–
5.	LO Ka Shui (resigned on 1 August 2016)	145	–	–	–	–	–	–	145
6.	GAO Nianshu (resigned on 19 August 2016)	–	–	–	–	–	–	–	–
7.	GONG Jianzhong	–	–	–	–	–	–	–	–
8.	LEUNG Hok Lim	250	–		–	–	–	–	250
9.	Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
10.	FANG Fenglei	250	–	–	–	–	–	–	250
11.	SUN Yanjun	–	–	–	–	–	–	–	–
12.	LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–
13.	HE Di (appointed on 20 August 2016)	92	–	–	–	–	–	–	92
14.	XIA Bing (appointed on 20 August 2016)	–	–	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

45 Benefits and interest of directors (Continued)

Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2015 is set out below:

		As director (note (i))							
	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Estimated money value of other benefits $'000	Housing allowance $'000	Employer contribution to a retirement benefit scheme $'000	As management (note (ii)) $'000	Total $'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,645	9,645
2.	CHUI Keung	–	–	–	–	–	–	4,634	4,634
3.	WANG Ji Yan	–	–	–	–	–	–	3,971	3,971
4.	SHA Yuejia	–	–	–	–	–	–	–	–
5.	LO Ka Shui	250	–	–	–	–	–	–	250
6.	GAO Nianshu	–	–	–	–	–	–	–	–
7.	GONG Jianzhong	–	–	–	–	–	–	–	–
8.	LEUNG Hok Lim	250	–	–	–	–	–	–	250
9.	Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
10.	FANG Fenglei	250	–	–	–	–	–	–	250
11.	SUN Yanjun	–	–	–	–	–	–	–	–
12.	LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–

45 Benefits and interest of directors (Continued)

As of 31 December 2016, Mr. LIU Changle had outstanding share options of the Company to purchase 4,900,000 (2015: 4,900,000) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options of the Company to purchase 3,900,000 (2015: 3,900,000) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options of the Company to purchase 3,900,000 (2015: 3,900,000) shares at HK$2.92 per share. No options were exercised during 2015.

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes, housing allowance and value of the share option. The value of the share options granted to the directors of the Company under the share option schemes of the Company represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iii) No director waived or agreed to waive any emoluments during the year.

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

46 Subsequent event

On 2 November 2016, PNM's board of directors authorized to grant new unsecured term loans to Particle on or before 15 January 2017 with an aggregate principal amount of RMB120 million or USD equivalent at an interest rate of 9% per annum with a term of no more than six months. PNM granted RMB46 million loan to Particle on 2 November 2016. Subsequent to the year ended 31 December 2016, PNM and Particle signed an amendment to the loan agreements of the US$14.8 million loan and the RMB46 million loan, which have already been provided on 11 August 2016 and 2 November 2016 respectively, to extend the loan period from 6 months to 12 months. PNM has further granted RMB74 million loan to Particle on 20 January 2017 at an interest rate of 9% per annum and with a term of no more than 12 months.