鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02008)

IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011 DUE TO DIFFERENT ACCOUNTING TREATMENTS OF COMPONENTS IN ARRIVING AT THE NET GAIN ON THE COMPANY'S DEEMED DISPOSAL OF INTEREST IN PNM

PNM's spin-off through separate listing on NYSE has provided the Group a "net gain on deemed disposal" with preliminary estimation of over approximately HK$1.2 billion, split 42:58 between owners of the Company and non-controlling interest. According to the Hong Kong Accounting Standard 27 (Revised) and the accounting policies as disclosed in the 2010 financial statements audited by PricewaterhouseCoopers, such gain on deemed disposal would be recognized in the consolidated income statement had the Company lost control over a subsidiary after its partial disposal. However, as PNM remains a subsidiary of the Company after its separate listing on NYSE, such gain on deemed disposal will only be reflected directly in equity. In the meanwhile, those non-cash fair value loss and interest accretion related to convertible series A preferred shares issued by PNM (the "**Preferred Shares**") have to be reflected in the consolidated income statement of the relevant year. As such, the disparity in accounting treatments of gain on deemed disposal and non-cash fair value loss and interest accretion will therefore create a possible misunderstanding to investors when they read the consolidated financial statements of the Group as these non-cash charges to the consolidated income statement will certainly cause the Group to record a loss (as compared to a profit for the same period last year) and the gain on deemed disposal will only be reflected in equity in the consolidated statement of changes in equity. As all Preferred Shares were converted at the time of listing, there will not be any non-cash fair value gain/loss and interest accretion in the future.

As the Company is still in the process of finalizing its interim results for the six months ended 30 June 2011, information contained in this announcement is derived from preliminary assessment by the Board based on the latest consolidated management accounts of the Group, review of which has not been completed by the auditor of the Company, as at the date of this announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcements of Phoenix Satellite Television Holdings Limited (the "**Company**") dated 18 January 2011, 26 April 2011, 28 April 2011, 12 May 2011, 31 May 2011 and 9 June 2011 in respect of the proposed spin-off and separate listing of Phoenix New Media Limited ("**PNM**") on the New York Stock Exchange (the "**NYSE**").

For reference purposes, the table below is using a high level estimation with preliminary estimated figures at the net gain on the deemed disposal of PNM. The purpose is to demonstrate the effect and financial impact on the Company's half yearly report for the six months ended 30 June 2011.

	Attributable to		
	owners of the Company	**non-controlling interest**	**Total**
	HK$ million (approximately)	*HK$ million (approximately)*	*HK$ million (approximately)*
Total gain on deemed disposal to be reflected in equity	1,500	900	2,400
Non-cash fair value loss and interest accretion of Preferred Shares			
– charged to the consolidated income statement for the years ended 31 December 2009 and 2010	(179)	(35)	(214)
– charged to the consolidated income statement for the 6 months ended 30 June 2011	(808)	(157)	(965)
	(987)	(192)	(1,179)
Net gain on deemed disposal	513	708	1,221
	42%	58%	

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The table below aims to illustrate, in respect of the deemed disposal, the effects on the consolidated income statement of the Group with and without losing control over the subsidiary.

	(For reference and illustrative purposes only) **With losing control over the subsidiary** *HK$ million (approximately)*	(note 1) **Without losing control over the subsidiary** *HK$ million (approximately)*
Revenue	xxx	xxx
Operating expenses	xxx	xxx
Selling, general and administrative expenses	xxx	xxx
Other (expenses)/income	xxx	xxx
Share of (loss)/profit of jointly controlled entities	xxx	xxx
Share of loss of an associate	xxx	xxx
Profit before gain on deemed disposal, fair value loss and interest accretion and income tax	xxx	xxx
Gain on deemed disposal	1,500	– (note 2)
Fair value loss on preferred share liability – derivative component and interest accretion	(965)	(965)
Income tax	xxx	xxx
Profit for the period	xxx	xxx

(Note 1)
Accounting treatment which will be applied in the current year.

(Note 2)
Without losing control over the subsidiary, relevant gain on deemed disposal is reflected directly in equity.

As the Company is still in the process of finalizing its interim results for the six months ended 30 June 2011, information contained in this announcement is derived from preliminary assessment by the board of directors (the "**Board**") of the Company based on the latest consolidated management accounts of the Group, review of which has not been completed by the auditor of the Company, as at the date of this announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Phoenix Satellite Television Holdings Limited
Liu Changle
Chairman

Hong Kong, 23 June 2011

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors
Mr. LIU Changle (Chairman) (also an alternate director to Mr. CHUI Keung); Mr. CHUI Keung (also an alternate director to Mr. LIU Changle); Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)

Non-executive Directors
Mr. GAO Nianshu; Mr. SHA Yuejia; Mr. Jan KOEPPEN; Mr. CHEUNG Chun On, Daniel; Mr. GONG Jianzhong

Independent Non-executive Directors
Dr. LO Ka Shui; Mr. LEUNG Hok Lim; Mr. Thaddeus Thomas BECZAK

Alternate Directors
Ms. Ella Betsy WONG (alternate to Mr. Jan KOEPPEN); Dr. GAO Jack Qunyao (alternate to Mr. CHEUNG Chun On, Daniel)