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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2016 was approximately HK$3,798,273,000, which represented a decrease of 9.6% over the previous year.
- Profit attributable to owners of the Company was approximately HK$230,515,000, which represented an increase of 108.9% over the previous year.
- The board of directors (the "Board" or "Directors") of the Company recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company ("Share(s)").

RESULTS

The revenue of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Phoenix") for the year ended 31 December 2016 was approximately HK$3,798,273,000 (year ended 31 December 2015: HK$4,200,895,000), which represented a 9.6% decrease over the previous year. The slowdown of the Chinese economy and depreciation of the Renminbi ("RMB") have had a negative effect on Phoenix's overall revenue. The operating costs have decreased by 6.9% to approximately HK$3,617,143,000 (year ended 31 December 2015: HK$3,886,425,000).

The operating profit of the Group for the year ended 31 December 2016 was approximately HK$181,130,000 (year ended 31 December 2015: HK$314,470,000), which represented a decrease of 42.4% compared to the previous year. Please refer to the "Management Discussion and Analysis" section set out in this announcement for details of the performance of individual business segments.

Fair value gain on derivative financial instruments related to subsequent measurement of new media's investment in Particle Inc. for the year ended 31 December 2016 was approximately HK$182,050,000 (year ended 31 December 2015: loss of HK$44,696,000).

Fair value gain of approximately HK$21,127,000 (year ended 31 December 2015: HK$98,939,000) was recognized for the investment properties in Beijing and London.

The net exchange loss of the Group for the year ended 31 December 2016 was approximately HK$55,812,000 (year ended 31 December 2015: HK$57,213,000) mainly resulting from the depreciation of the RMB.

The profit attributable to owners of the Company was approximately HK$230,515,000 (year ended 31 December 2015: HK$110,349,000), which represented an increase of 108.9% compared to the previous year. New media's investment in Particle Inc. had resulted in a substantial revaluation gain in the current year which boosted our profit at group level.

The chart below summarises the performance of the Group for the year ended 31 December 2016 and the year ended 31 December 2015 respectively.

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Television broadcasting	**1,430,947**	1,598,095
New media	**1,629,661**	1,920,708
Outdoor media	**610,295**	571,521
Real estate	**27,606**	14,650
Other businesses	**99,764**	95,921
Group's total revenue	**3,798,273**	4,200,895
Operating costs	**(3,617,143)**	(3,886,425)
Operating profit	**181,130**	314,470
Fair value gain on investment properties	**21,127**	98,939
Net gain on new media investment		
Fair value gain/(loss) on derivative financial instruments	**182,050**	(44,696)
Interest income	**101,611**	51,249
Gain on disposal of an associate	**–**	4,795
Exchange loss, net	**(55,812)**	(57,213)
Reversal of provision/(provision) for impairment of amounts due from joint ventures	**1,224**	(39,285)
Gain on deemed disposal of a subsidiary	**49,344**	–
Other income, net	**17,001**	991
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**497,675**	329,250
Share of results of joint ventures and associates	**(17,852)**	(37,543)
Income tax expense	**(81,809)**	(139,876)
Profit for the year	**398,014**	151,831
Non-controlling interests	**(167,499)**	(41,482)
Profit attributable to owners of the Company	**230,515**	110,349
Basic earnings per share, Hong Kong cents	**4.61**	2.21

BUSINESS OVERVIEW AND PROSPECTS

The slowing of the Chinese economy over the last year has caused serious challenges for the media business at large, including Phoenix. This downward economic trend has had a negative impact on the advertising income Phoenix has been able to generate in 2016, and made the commercial management of the Company more challenging than previously. The operating profit of the television broadcasting segment decreased due to the relatively fixed cost structure, but it is expected that the Group can operate efficiently until the economy recovers.

A further factor behind this drop in television advertising income has been the rapid growth of the new media in China. This development has posed serious challenges to the traditional television business, with many former television viewers now preferring to watch new media presentations on their mobile phones and computers. The Group anticipated this trend, however, and has been pursuing a strategy designed to expand the iFeng platform of Phoenix New Media and thereby generate income from this rapidly expanding new media world. The results over the past year show that this strategy is well based and is having a positive effect.

There is much evidence to suggest that in the long-term the Group will emerge successfully from the current situation. The Group's competitive edge and core abilities remain strong, signified by its continuing brand influence, premium content, credibility and cross-media convergence strategy. The Group has responded to changes in audience viewing behavior and has implemented a comprehensive mobile strategy, and has developed and acquired mobile apps delivering serious journalism and personal interest-based information to high-end users and the mass market.

While actively developing the new media component, with a refined distribution channels strategy, the Group continues to expand its television broadcasting presence, not only maintaining its traditional distribution through satellite and cable systems, but also reaching global audience by means of OTT (Over-The Top content) and IPTV.

At the same time the Group, as part of its risk management strategy, has also diversified its core media business into new businesses including entertainment, culture, exhibition and event management.

2016 was the twentieth anniversary of Phoenix, and the story of the Group's first twenty years underscores that it is a media entity with great potential. When it commenced operations in 1996, Phoenix was a single television channel employing less than 120 employees. With the continuous efforts of all our Group's members to build up the viewership in the PRC, Phoenix has grown exponentially, and now has four channels based in Hong Kong, a North American Channel and a European Channel, as well as a very sophisticated internet media platform, ifeng.com, and has premises in Hong Kong, London and Beijing. It also has a world-wide network of reporters, which enables Phoenix to provide accurate first-hand news about global developments. Phoenix is also listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and ifeng.com is listed on the New York Stock Exchange. In a mere twenty years Phoenix has developed into a major media entity which provides the Chinese community around the world with news, commentaries, entertainment programs, and films.

While Phoenix has faced serious economic challenges, the Group has continued to enjoy a very high status on the global stage. The Secretary-General of the United Nations, Mr Ban Ki Moon, sent a congratulatory message to Phoenix on its 20th anniversary, as did more than 30 international leaders. In early May Phoenix held an International Day of Friendship at the Phoenix International Media Centre in Beijing and over 100 ambassadors and representatives of international organizations attended the event.

Phoenix has pursued an extremely successful strategy for twenty years, and there is no doubt that this strategy will continue to provide an effective guide for the Group's further development and success. In view of the current negative economic environment Phoenix has made a range of changes to its operational arrangements that enhance its capacity to deal with these challenges, but has continued to maintain its fundamental strategy of providing Chinese-language news and information to the Chinese audience around the world.

In 2016 Phoenix reported on many major international news stories, including the Taiwan presidential elections and the appointment of the DPP candidate Tsai Ing-wen as the new leader of Taiwan, President Xi Jinping's visit to Washington where he met with President Obama and discussed countering the terrorist threat and the maintenance of world peace and security, and his visit to Slovakia, Poland, and Uzbekistan. Phoenix also covered the Myanmar elections which led to the appointment of Aung San Suu Kyi to a senior government post, the Presidential election in the Philippines and the election of Rodrigo Duterte, who before a visit to China was interviewed by a Phoenix reporter, and the war in Syria. A Washington-based reporter also held an exclusive interview with the United States Secretary of State, John Kerry. Phoenix covered the American Presidential elections, and produced the most comprehensive and thorough reporting of the election by a Chinese-language media organization. Phoenix reporters also went to Iraq and produced a series of reports on developments there, called "Deeply Into Iraq", which included an exclusive interview with the President of Iraq, Fuad Masum.

Phoenix Chinese Channel has responded to the changing business environment by reviewing programs and seeking to meet the changing interests of the mass audience by introducing new material. This approach is conducted with a long-term view, and only leads to the production of new programs after careful consideration of audience preferences. Phoenix has also increased the coordination between program production and advertising marketing in order to ensure that the programs that Phoenix produces and broadcasts all have an appeal to potential advertisers. There has also been some reorganization of the advertising department in order to make it better equipped to meet the changing character of the advertising market. There have also been reports from global consultancy firms that indicate that the mainland luxury goods market is beginning to recover, which suggests that in due course Phoenix will be able to benefit from growing consumer demand for luxury goods produced by companies that will need to advertise their products to attract Chinese buyers. Thus, while Phoenix faces a difficult economic environment at present, the long-term prospects for the Group look promising.

MANAGEMENT DISCUSSION AND ANALYSIS

Comments on Segmental Information

	Year ended 31 December			
	2016		2015	
	Revenue *HK$'000*	**Segment result** *HK$'000*	Revenue *HK$'000*	Segment result *HK$'000*
Television broadcasting	**1,430,947**	**417,619**	1,598,095	521,704
New media	**1,629,661**	**389,113**	1,920,708	153,634
Outdoor media	**610,295**	**67,283**	571,521	63,806
Real estate	**27,606**	**(47,251)**	14,650	1,106
Other businesses	**99,764**	**(7,442)**	95,921	(92,057)
Group's total revenue and segment results	**3,798,273**	**819,322**	4,200,895	648,193
Unallocated income		**28,080**		51,047
Unallocated expenses		**(349,727)**		(369,990)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**497,675**		329,250

Revenue from television broadcasting, comprising of advertising, subscription and other revenue sources, which accounted for 37.7% of the total revenue of the Group for the year ended 31 December 2016, decreased by 10.5% to approximately HK$1,430,947,000 (year ended 31 December 2015: HK$1,598,095,000). The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. Due to the relatively fixed cost structure, the segmental profit for the television broadcasting business decreased to approximately HK$417,619,000 for the year ended 31 December 2016 (year ended 31 December 2015 HK$521,704,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 34.5% of the total revenue of the Group for the year ended 31 December 2016, decreased by 9.7% to approximately HK$1,310,632,000 (year ended 31 December 2015: HK$1,451,302,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased by 18% as compared to the previous year to approximately HK$120,315,000 (year ended 31 December 2015: HK$146,793,000).

The revenue of the new media business for the year ended 31 December 2016 decreased by 15.2% to approximately HK$1,629,661,000 (year ended 31 December 2015: HK$1,920,708,000) due to the decrease in mobile value-added services resulting from the decrease in user demands. The segmental profit of new media business for the year ended 31 December 2016 increased by 153.3% to approximately HK$389,113,000 (year ended 31 December 2015: HK$153,634,000). Increase in segmental profit was primarily due to increase in net gain related to subsequent measurement of the investment in Particle Inc. to HK$283,661,000 for the year ended 31 December 2016 from HK$11,348,000 for the year ended 31 December 2015.

The revenue of outdoor media business for the year ended 31 December 2016 increased by 6.8% to approximately HK$610,295,000 (year ended 31 December 2015: HK$571,521,000). The segmental profit of outdoor media business for the year ended 31 December 2016 increased by 5.5% to approximately HK$67,283,000 (year ended 31 December 2015: HK$63,806,000).

The segmental loss for real estate for the year ended 31 December 2016 was approximately HK$47,251,000 (year ended 31 December 2015: segmental profit of HK$1,106,000), which mainly comprises of depreciation and interest expenses. The segmental result for real estate had turned a profit into loss primarily due to a decrease of fair value gain for the investment properties to approximately HK$21,127,000 (year ended 31 December 2015: HK$98,939,000), recognized during the year.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the section titled "Business Overview and Prospects" in this announcement for commentary on the core business of the Group.

DIVIDENDS

The Board recommended the payment of a final dividend of 1 Hong Kong cent per Share (final dividend for 2015: 1 Hong Kong cent), totaling approximately HK$50,010,000, equivalent to approximately 21.7% of profit attributable to owners of the Company, to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2017, Thursday. Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company ("AGM"), the final dividend will be payable on or around 30 June 2017, Friday.

ANNUAL GENERAL MEETING

The AGM will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 6 June 2017, Tuesday at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2017, Thursday to 6 June 2017, Tuesday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 31 May 2017, Wednesday.

The register of members of the Company will also be closed from 13 June 2017, Tuesday to 15 June 2017, Thursday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the forthcoming AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 12 June 2017, Monday.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Capital Injection to 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")

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 and LLT entered into an investment agreement, pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK$45,606,842) to subscribe for an additional of approximately 1.25% equity interest in LLT as enlarged by the capital increase (i.e. the aforesaid capital injection together with the capital injection by China United SME Guarantee Corporation (中合中小企業融資擔保股份有限公司), Shanghai Chenggao Investment Partnership Enterprises (上海呈高投資合夥企業), Yinchuan Fenghuang Zhifu Equity Investment Fund Partnership Enterprise (銀川鳳凰志賦股權投資基金合夥企業), Jiujiang Huarong Dingtai Investment Centre (九江華融鼎泰投資中心) and Jiaxing Ruifu Investment Partnership Enterprise (嘉興瑞福投資合夥企業) (collectively referred to as "Other Investors") in an aggregate amount of RMB203,136,000 (including approximately RMB652,456 as contribution to the registered capital and approximately RMB202,483,544 as payment for the premium).

The Other Investors had also entered into various investment agreements with Mr. He Xin, Mr. Zhang Zhen and LLT, respectively, to subscribe for an aggregate of approximately 4.88% equity interest in LLT as enlarged by the aforesaid capital increase for the capital contribution in the aggregate amount of RMB165,000,000 (equivalent to approximately HK$197,323,500).

Upon completion of the aforesaid capital increase, the Company indirectly held an aggregate of approximately 10.63% equity interest in LLT (through Huibo as to approximately 5.94% as enlarged by the aforesaid capital increase, and through Beijing Tianying as to approximately 4.69% as diluted by the aforesaid capital increase).

In addition to the aforesaid capital injection, Huibo was granted (i) a call option, pursuant to which in the event that LLT cannot achieve any of the required transaction amount or revenue for the year ending 31 December 2016 or 2017, it shall be entitled to request Mr. He Xin and Mr. Zhang Zhen to transfer to Huibo part of their equity interest in LLT at the consideration of RMB1.00 for each actual amount of registered capital to be contributed without any premium; and (ii) a put option, pursuant to which in the event that LLT fails to list, or decides not to list, on a recognized stock exchange in or outside the PRC before 31 December 2020, Huibo shall be entitled to request LLT to repurchase those equity interest held by Huibo (save and except the initial equity interest of approximately 4.69%) at certain specified consideration on or before 31 January 2021.

As Mr. He Xin, the controlling shareholder of LLT, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and Chief Executive Officer of the Company, both Mr. He Xin and LLT are connected persons of the Company under the Listing Rules and accordingly the aforesaid transactions constituted connected transactions for the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 20 May 2016.

Subsequent to the completion of the aforesaid capital increase, considering the Group has the ability to exercise significant influence in LLT, the investment has been accounted for as an associate of the Group according to applicable accounting standards. The total investment costs in LLT have been separated into "investments in associates" and "derivative financial assets" for the call and put options.

Deemed Disposal of 上海鳳凰衛視領客文化發展有限公司 (Shanghai Phoenix Link Culture Development Co. Ltd., "Phoenix Link")

In June 2016, the Group's equity interest in Phoenix Link was reduced from 61.6% to 45% as a result of a capital contribution to Phoenix Link by new shareholders.

Conversion of Loans by PNM into Particle Inc's Series D1 Preferred Shares

Phoenix New Media Limited ("PNM") has been granted with the right to convert the loans in the principal amounts of US$20,000,000 into Particle Inc.'s series D1 preferred shares. On 30 December 2016, following the exercise of the said conversion rights by PNM, PNM held approximately 43.8% of total outstanding shares of Particle Inc. comprising Series B, Series C and Series D1 preferred shares in Particle Inc. assuming all preferred shares are converted into ordinary shares and all shares reserved under the Particle Inc.'s employee share option plan are issued. For details, please refer to the Company's announcement dated 20 January 2017 and note 15 to the consolidated financial statements.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies for the year ended 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2016 remained solid despite recurring cash flows from the businesses of the Group were weakened as a result of decrease in revenue. As at 31 December 2016, the Group had cash and current bank deposits totaling about HK$2,678,656,000 (as at 31 December 2015: HK$3,004,839,000). The aggregate outstanding borrowings of the Group were approximately HK$1,272,144,000 (as at 31 December 2015: HK$1,513,826,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of a subsidiary, secured and interest bearing bank borrowings to fund the investment in Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 52.5% as at 31 December 2016 (as at 31 December 2015: 60.2%).

Save as disclosed above, the financial position of the Group remained liquid. Most of the Group's monetary assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars ("USD") and RMB, with minimal balances in Pound Sterling and New Taiwan dollars. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD and RMB. The Group manages its foreign exchange risks by performing regular reviews and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks. However, taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

CHARGE ON ASSETS

As at 31 December 2016, the land in Chaoyang Park, Beijing, together with the building, with carrying value of approximately HK$102,000,000, HK$425,000,000 and HK$1,452,000,000 (as at 31 December 2015: HK$112,000,000, HK$487,000,000 and HK$1,534,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the investment in Phoenix International Media Centre in Beijing. Bank deposit of approximately HK$807,162,000 (as at 31 December 2015: HK$655,192,000) was pledged with banks to secure bank borrowings to optimize return through interest difference and arrangement of external security within the loan. The property in the United States with carrying value of approximately HK$2,774,000 (as at 31 December 2015: HK$2,810,000) was pledged with a bank to secure a bank borrowing. Deposits of approximately HK$322,000 were pledged with banks to secure banking guarantees given to the landlord of a subsidiary (as at 31 December 2015: HK$1,505,000).

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2016 and 31 December 2015.

CAPITAL STRUCTURE AND SHARE OPTIONS

As at 31 December 2016, the authorized share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.10 each, of which 5,000,999,500 Shares (as at 31 December 2015: 5,000,993,500 Shares) had been issued and fully paid.

6,000 new Shares were issued during the year as a result of the exercise of 6,000 share options of the Company under the Company's post-IPO share option scheme adopted on 7 June 2000.

As at 31 December 2016, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of subsidiaries and banking facilities.

STAFF

As at 31 December 2016, the Group employed 2,872 full-time staff (as at 31 December 2015: 3,033) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2016 increased to approximately HK$1,185,144,000 (year ended 31 December 2015: HK$1,254,732,000).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2016, the Group invested in listed security investments with estimated fair market value of approximately HK$19,003,000 (as at 31 December 2015: HK$18,896,000) recognized as "financial assets at fair value through profit and loss" and unlisted preferred shares of Particle Inc. recognized as "available-for-sale financial assets" and "derivative financial instruments" with estimated fair market value of approximately HK$605,849,000 (as at 31 December 2015: HK$390,200,000) and HK$440,261,000 (as at 31 December 2015: HK$216,742,000) respectively. Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing businesses.

CONTINGENT LIABILITIES

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provision have been made in the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

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

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

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2016 and provided advice and comments thereon before such statements were presented to the Board for approval. The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated income statement and related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company adopted its own code on corporate governance which combined its existing principles and practices with most of the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange – all with the objective of taking forward a corporate governance structure which builds on Phoenix's own standards and experience, while respecting the benchmarks set in the Code.

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control processes. The Board had established the risk management committee on 30 November 2015 with its written terms of reference in alignment with the code provisions as set in the revised Code which took effect for the accounting periods beginning on or after 1 January 2016 to monitor the progress on corporate governance practices, risk management and internal control systems of the Company throughout the year under review. The following summarises the corporate governance practices of the Company and explanations of deviations from the Code.

Save as disclosed below, the Company has, throughout the year ended 31 December 2016, complied with the Code.

(1) Distinctive Roles of Chairman and Chief Executive Officer

Code Provision

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. LIU Changle has continually served as both the chairman to the Board and chief executive officer of the Company since its incorporation. He is responsible for managing the Board and the business of the Group.

On 26 November 2008, Mr. LIU entered into a non-competition deed (the "Non-Competition Deed") in favour of the Company which took effect on 5 December 2008 in order to manage any potential competing interest with the Group. Details of the Non-Competition Deed are set out in the announcement of the Company dated 26 November 2008.

Mr. LIU has also unconditionally and irrevocably undertaken to the Company that he shall use his best endeavours to ensure that his associates and the respective employees of his associates (except for those within the Group) observe the restrictions and undertakings contained in the Non-Competition Deed.

The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the Board committees, balance of power and authority can be ensured and therefore, there is no imminent need to change the arrangement.

(2) Appointments, Re-election and Removal

Code Provision

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election and all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

Deviation and its Reason

Apart from the two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their numbers is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The Board considers that there is no imminent need to amend the articles of association of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, it was confirmed that the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2016.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Group who may possess or have access to the inside information in relation to the Group or its securities.

OTHER IMPORTANT EVENTS AND SUBSEQUENT EVENTS

Application for a Domestic Free Television Programme Service Licence in Hong Kong

On 6 May 2016, Phoenix Hong Kong Television Limited ("Phoenix HK"), which is currently an indirect wholly-owned subsidiary of the Company, has submitted an application (the "Application") for a domestic free television programme service licence in Hong Kong with digital terrestrial transmission to the Communications Authority. If the Application is approved, Phoenix HK will carry out a corporate restructuring in compliance with relevant laws and regulations. The Application is now being processed by the Communications Authority.

Discloseable Transaction Regarding the Provision of New Loan to Particle Inc.

On 20 January 2017, PNM entered into a loan agreement with Particle Inc., pursuant to which PNM agreed to grant to Particle Inc. a loan in the principal amount of RMB74,000,000, bearing interest at a rate of 9% per annum for a period of one year (the "New Loan").

On 28 January 2016, 5 April 2016, 10 August 2016 and 2 November 2016, PNM granted the loans in the principal amounts of US$10,000,000, US$10,000,000, US$14,800,000 and RMB46,000,000, respectively, to Particle Inc. (the "Loans"). The New Loan, when aggregated with the Loans which were granted within a 12-month period before the New Loan, resulted in certain applicable percentage ratios exceeding 5% but all applicable percentage ratios being less than 25%, therefore constituted a discloseable transaction of the Company.

For details, please refer to the Company's announcement dated 20 January 2017.

Continuing Connected Transactions with China Mobile Group Guizhou Co., Ltd. and its subsidiaries ("the CMGG Group")

On 25 January 2017, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, "Phoenix Metropolis"), a subsidiary of the Company, entered into an advertising contract with 中國移動通信集團貴州有限公司 (China Mobile Group Guizhou Co., Ltd.) for a period commencing from 25 January 2017 and ending on 31 March 2017 for promoting the businesses of the CMGG Group at a maximum contract sum not exceeding RMB2,120,000 (equivalent to approximately HK$2,374,824) (the "Transaction"). The Transaction, when aggregated with previous advertising transactions between Phoenix Metropolis and the group companies of 中國移動通信集團公司 (China Mobile Communications Corporation) within a 12-month period before the Transaction, constituted continuing connected transactions subject to reporting, announcement and annual review requirements under Chapter 14 of the Listing Rules. For details, please refer to the Company's announcement dated 25 January 2017.

Proposed Spin-off and Separate Listing of Phoenix Metropolis

The Board is considering the feasibility of a proposed spin-off and separate listing of Phoenix Metropolis, a subsidiary of the Company engaged in the outdoor media business in the PRC, on the Shenzhen Stock Exchange (the "Proposed Spin-off"). The Proposed Spin-Off is still at a preliminary stage. No application has been submitted to any PRC regulatory authorities nor to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules in relation to the Proposed Spin-off. No final decision has been made by the Board as to whether and when the Proposed Spin-off will proceed.

PUBLICATION OF RESULTS ANNOUNCEMENTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk, and the Company's investor relations website at www.irasia.com/listco/hk/phoenixtv. The 2016 annual report of the Company will be despatched to shareholders of the Company and published on the above-mentioned websites on or before 28 April 2017.

On behalf of the Board
LIU Changle
Chairman

Hong Kong, 17 March 2017

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are pleased to announce the consolidated results of the Group for the year ended 31 December 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016
(Amounts expressed in Hong Kong dollars)

	Note	**2016** *$'000*	2015 *$'000*
Revenue	3	**3,798,273**	4,200,895
Operating expenses	6	**(2,678,183)**	(2,973,897)
Selling, general and administrative expenses	6	**(938,960)**	(912,528)
Other gains/(losses), net			
Fair value gain on investment properties		**21,127**	98,939
Other operating gains/(losses), net	4	**186,730**	(152,218)
Interest income		**149,859**	117,684
Interest expense		**(41,171)**	(49,625)
Share of profits less losses of joint ventures		**(4,906)**	(18,624)
Share of profits less losses of associates		**(12,946)**	(18,919)
Profit before income tax	6	**479,823**	291,707
Income tax expense	7	**(81,809)**	(139,876)
Profit for the year		**398,014**	151,831
Profit attributable to:			
Owners of the Company		**230,515**	110,349
Non-controlling interests		**167,499**	41,482
		398,014	151,831
Earnings per share for profit attributable to the owners of the Company for the year			
Basic earnings per share, Hong Kong cents	8	**4.61**	2.21
Diluted earnings per share, Hong Kong cents	8	**4.61**	2.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016
(Amounts expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Profit for the year	**398,014**	151,831
Other comprehensive income:		
Items that have been reclassified/may be reclassified to profit or loss		
Currency translation differences	**(266,683)**	(152,409)
Release of reserve upon disposal of a subsidiary and an associate	**–**	(5,813)
Fair value gain on available-for-sale financial assets	**11,650**	15,116
Total comprehensive income for the year	**142,981**	8,725
Attributable to:		
Owners of the Company	**70,846**	29,194
Non-controlling interests	**72,135**	(20,469)
	142,981	8,725

CONSOLIDATED BALANCE SHEET
As at 31 December 2016
(Amounts expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net		**14,886**	15,395
Lease premium for land		**210,179**	223,338
Property, plant and equipment, net		**1,160,842**	1,340,438
Investment properties		**1,464,088**	1,547,854
Intangible assets		**25,872**	16,507
Investments in joint ventures		**24,159**	27,768
Amount due from a joint venture		**–**	1,500
Investments in associates		**84,414**	21,918
Available-for-sale financial assets	13	**617,835**	391,412
Derivative financial instruments	14	**458,073**	216,742
Other long-term assets		**46,008**	50,557
Deferred income tax assets		**69,849**	50,634
Pledged bank deposit		**185,000**	220,866
		4,361,205	4,124,929
Current assets			
Accounts receivable, net	10	**721,566**	843,680
Prepayments, deposits and other receivables		**565,330**	976,783
Inventories		**8,456**	8,579
Amounts due from related companies		**261,774**	135,394
Derivative financial instruments	14	**10,860**	–
Self-produced programmes		**7,328**	8,866
Purchased programme and film rights, net		**231**	450
Financial assets at fair value through profit or loss		**19,003**	18,896
Prepaid tax		**11,355**	3,571
Pledged bank deposits		**622,162**	434,326
Bank deposits		**394,666**	462,147
Restricted cash		**548**	1,505
Cash and cash equivalents		**2,283,990**	2,542,692
		4,907,269	5,436,889
Total assets		**9,268,474**	9,561,818

	Note	2016 $'000	2015 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**500,100**	500,099
Reserves		**4,525,371**	4,514,261
		5,025,471	5,014,360
Non-controlling interests		**1,603,304**	1,530,008
Total equity		**6,628,775**	6,544,368
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	12(a)	**349,464**	782,469
Derivative financial instrument	14	**220**	1,793
Other long-term liabilities		**4,681**	77,474
Loans from non-controlling shareholders of subsidiaries	12(b)	**266,430**	176,789
Deferred income tax liabilities		**167,980**	163,598
		788,775	1,202,123
Current liabilities			
Accounts payable, other payables and accruals	11	**1,057,099**	1,168,993
Secured bank borrowings	12(a)	**632,295**	431,607
Deferred income		**88,209**	95,353
Loans from non-controlling shareholders of a subsidiary	12(b)	**19,274**	45,487
Current income tax liabilities		**52,465**	72,452
Derivative financial instruments	14	**1,582**	1,435
		1,850,924	1,815,327
Total liabilities		**2,639,699**	3,017,450
Total equity and liabilities		**9,268,474**	9,561,818

NOTES

(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").

2. 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. 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.

(a) 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.

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

The following new standards and amendments to standards 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.

3. REVENUE

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	2015
	$'000	*$'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

4. OTHER GAINS/(LOSSES), NET

	2016	2015
	$'000	*$'000*
Exchange loss, net	**(55,812)**	(57,213)
Investment income	**8,878**	9,932
Gain on deemed disposal of a subsidiary	**49,344**	–
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)
Gain on disposal of subsidiaries and associates	**–**	5,214
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
Provision for impairment of available-for-sale financial asset	**–**	(7,805)
Others, net	**(16)**	(9,027)
	186,730	(152,218)

5. SEGMENT INFORMATION

	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

	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)

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

6. PROFIT BEFORE INCOME TAX

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

	2016	2015
	$'000	*$'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)	**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

7. 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	2015
	$'000	*$'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	**(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 an advertising agent, 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.

8. 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 subsidiaries 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

9. DIVIDENDS

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

The 2015 final dividends 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 dividends of 1 Hong Kong cent per share, totalling 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.

10. ACCOUNTS RECEIVABLE, NET

	2016	2015
	$'000	*$'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. 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.

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

	2016	2015
	$'000	*$'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	2015
	$'000	*$'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

11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2016	2015
	$'000	*$'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	2015
	$'000	*$'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	2015
	$'000	*$'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

12. BORROWINGS

	2016	2015
	$'000	*$'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	2015
	$'000	*$'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	2015
	$'000	*$'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

(b) Loans from non-controlling shareholders of subsidiaries

	2016	2015
	$'000	*$'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	2015
	$'000	*$'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).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	$'000	*$'000*
Balance, beginning of year	**391,412**	32,770
Additions *(Note 15)*	**134,730**	300,443
Transfer	**(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

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*
Convertible redeemable preferred shares ("Preferred Shares") – derivative component *(Note 15)*	**440,261**	216,742	**–**	–
Convertible loan – derivative component *(Note 15)*	**10,860**	–	**–**	–
Options	**17,812**	–	**–**	–
Interest rate swap contracts	**–**	–	**(1,802)**	(2,194)
Currency swap contract	**–**	–	**–**	(1,034)
Total	**468,933**	216,742	**(1,802)**	(3,228)

15. INVESTMENTS IN AND LOANS TO PARTICLE INC. ("PARTICLE")

In 2014, Phoenix New Media Limited ("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") 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.

On 11 August 2016, PNM has provided a short-term unsecured loan to Particle of US$14.8 million (approximately HK$114,802,000) 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 loan. The 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 has 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.

16. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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.

17. SUBSEQUENT EVENT

On 2 November 2016, PNM's board of directors has 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 the 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.

As at the date of this announcement, the Board 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) and Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)

Non-executive Directors

Mr. SHA Yuejia, Mr. XIA Bing, Mr. GONG Jianzhong and Mr. SUN Yanjun

Independent Non-executive Directors

Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di

Alternate Director

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