鳳凰衛視

PHOENIX MEDIA INVESTMENT (HOLDINGS) LIMITED
鳳凰衛視投資(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 2018

The board of directors (the "**Board**" or "**Directors**" and each of them a "**Director**") of Phoenix Media Investment (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 2018.

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2018 was approximately HK$4,062,816,000, which represented an increase of 2.7% over the previous year.
- Profit attributable to owners of the Company was approximately HK$243,790,000.
- The Board recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company (the "**Share(s)**").

RESULTS

The revenue of the Group for the year ended 31 December 2018 was approximately HK$4,062,816,000 (year ended 31 December 2017: HK$3,957,487,000), which represented an increase of 2.7% over the previous year. Although the traditional media business environment is still critical, revenue from the outdoor media business increased. The operating costs have increased 7.8% to approximately HK$4,129,514,000 (year ended 31 December 2017: HK$3,829,558,000) compared to the previous year. The increase in operating costs was primarily due to an increase in the contribution required by the strategic upgrade of the Group.

The operating loss of the Group for the year ended 31 December 2018 was approximately HK$66,698,000 (year ended 31 December 2017: operating profit of HK$127,929,000).

Fair value gain on financial assets related to subsequent measurement of internet media's investment in Particle Inc. for the year ended 31 December 2018 was approximately HK$802,877,000 (year ended 31 December 2017: HK$285,352,000).

Fair value gain of approximately HK$7,533,000 (year ended 31 December 2017: HK$44,868,000) was recognized for the investment properties in Beijing and London.

The net exchange loss of the Group for the year ended 31 December 2018 was approximately HK$17,906,000 (year ended 31 December 2017: gain of HK$8,083,000) mainly resulting from the depreciation of the Renminbi.

The profit attributable to owners of the Company was approximately HK$243,790,000 (year ended 31 December 2017: HK$286,248,000).

The chart below summarises the performance of the Group for the year ended 31 December 2018 and the year ended 31 December 2017 respectively.

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Television broadcasting	**1,284,068**	1,336,615
Internet media	**1,690,804**	1,733,094
Outdoor media	**823,084**	721,436
Real estate	**68,404**	29,464
Other businesses	**196,456**	136,878
Group's total revenue	**4,062,816**	3,957,487
Operating costs	**(4,129,514)**	(3,829,558)
Operating (loss)/profit	**(66,698)**	127,929
Fair value gain on investment properties	**7,533**	44,868
Net gain on internet media investment		
Fair value gain	**802,877**	285,352
Interest income	**4,389**	136,124
Exchange (loss)/gain, net	**(17,906)**	8,083
Gain on deemed disposal of a subsidiary	**—**	5,007
Other income, net	**33,857**	16,812
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**764,052**	624,175
Share of results of joint ventures and associates	**14,059**	(13,743)
Income tax expense	**(216,768)**	(89,579)
Profit for the year	**561,343**	520,853
Non-controlling interests	**(317,553)**	(234,605)
Profit attributable to owners of the Company	**243,790**	286,248
Basic earnings per share, Hong Kong cents	**4.88**	5.73

BUSINESS OVERVIEW AND PROSPECTS

With an insight into the perplexing media market which is experiencing drastic changes in the global political and economic environment, Phoenix TV has adjusted its operations by setting a three-year development goal of strategic upgrade: leveraging Phoenix TV's brand influence and professionalism to build an internationally leading high-tech omni-media group focused on content operations and driven by cross-sector integration. In 2018, the first year in which the strategy was implemented, the Group constantly improved the operation system with perseverance, innovation, prioritization, integration and choice-making. Driven by technological innovation and capital operation, the Group promoted the coordinated development of its various business segments, as well as controlling operation costs reasonably with consideration to the business operations. The financial performance of the Company was in-line with its transformation and upgrade. Liu Changle, the Chairman and Chief Executive Officer of the Company, remains positive on the prospect of the Group's strategic transformation and upgrade.

Based in Hong Kong, Phoenix TV serves Chinese all over the world. The news and information production of Phoenix TV upholds the philosophy of "Global Outlook and Chinese Perspective". It emphasises integrating its brand with the local culture, communicates with the world with professionalism and passion, and plays a crucial role in promoting Chinese culture, hence becoming a media platform facilitating linkage and communication between China and the rest of the world. In 2018, our global Phoenix TV team witnessed and immediately reported on world events such as China's diplomatic relations with many major countries, the Inter-Korean Summits, the U.S.-North Korea Summit, the China-U.S. trade tensions, the U.S. mid-term elections, the progress of Brexit, the Russian presidential election, etc. The coverage of these developments won praise and acclaim from Chinese audiences all over the world, reflecting the international characteristics and global influence of Phoenix TV.

Phoenix TV's status in the industry and brand value continued to improve, and continuously received awards included being rated as one of The World's 500 Largest Media Companies, and entered the list of Hong Kong's 100 Most Influential Brands in 2018, becoming the only media organization to be listed in the top 10, reflecting its status and reputation in media, culture and other fields. Phoenix TV's programmes and promotional trailers have always enjoyed a good reputation among Chinese media, and a number of its excellent programs have received a series of awards from the New York International Television Festival and the Chicago International Television Festival for consecutive years, which underscores the excellent capabilities and professionalism of Phoenix. *Phoenix Zone*, a video on-demand product of derivative culture from television program contents, entered into cooperation with various companies in relation to overseas platform content, the coverage of which in regions including Europe, North America, Asia and Oceania were completed through the new media cooperation platform.

The Group's television broadcasting business has further deepened the philosophy of "omni-media service" with constant innovation of its content production and strengthened customer demand orientation by promoting the evolution of the television station from an advertising and marketing organization into a media service center. Adhering to the idea of having content operations as its core, the Group promoted and launched trial runs of a business operation mode characterized by online and offline integration and platformization of a multi-adaptive omni-media product catalogue to continuously enrich and expand the industrial chain and value chain of the media industry. Phoenix will also continue to pilot the integration and innovation of technology and the media. The newly launched program *Phoenix Health* has realized the interaction with artificial intelligence on the theme of medical science. Corresponding to the development trend of the media vehicle, the Group incubated Fengshows, an integrated media operating platform, on which it will develop various forms of content such as short videos, live streaming and interactive community, in order to enhance the ability of Phoenix TV in monetizing the traffic of its contents.

The flagship product ifeng News APP under Phoenix New Media, the internet media platform of the Group, has always been one of the most popular news apps in China. The number of active users grew steadily on the Phoenix New Media portal, which enjoyed comprehensive developments in different areas including we-media, live streaming and IP. The Group has constantly enhanced product experience in various fields including content censorship, users' portraits and customized recommendations by integrating computer algorithm with manual intervention. In 2018, the Group has strengthened its deployment in the area of payment for knowledge and strategically invested in the online reading product Tadu, which will effectively promote the influence of Phoenix in the field of online reading. As for Yidian Zixun, an algorithm-based news feed app strategically invested by the Group through Phoenix New Media, that provided considerable valuation gains to the Group in the year 2018, it is believed that it will bring significant investment returns to the Group as well as the success for transformation of the Group after the strategic disposal of part of the investment subsequent to the reporting year.

The Group's outdoor media platform, Phoenix Metropolis Media, has become a large and very influential outdoor LED media operator with high revenue and profits in mainland China. Its LED media business is supplemented and upgraded by two business forms of the Group, namely, Phoenix LED Alliance which is based on the extensive media resources, and Phoenix Interaction which is based on leading digital marketing. In 2018, LED media business recorded a significant growth in both revenue and profits. Its visual contents and innovative forms of advertising are highly recognised in the industry.

Various other business segments of the Group also maintained healthy development. With regard to education, Phoenix Education is expected to strengthen its fundamental business through the use of capital operations. Development and breakthroughs were achieved in terms of the Digital Media Production and Education Integration business, Adolescent Language Arts training and projects including International Education. Diversified business layout and development have laid a solid foundation for the Group's strategic transformation and upgrade.

With respect to cultural creativity, Phoenix Entertainment owns the copyright of the comics adapted from Jin Yong's novels, such as *Demi-Gods and Semi-Devils, The Smiling, Proud Wanderer* and *Legends of the Condor Heroes* which have accumulated a total of 702,000,000 views on Tencent Comics, the largest animation and comics platform in China. Phoenix Entertainment completed the first round of financing for a total of RMB90,000,000 in 2018, the proceeds from which are intended to be used for the improvement on the market influence of comic IP. After several years of business deployment, Phoenix Culture and Phoenix Art, both serving as the cultural creativity industry platforms of the Group, have formed a sustainable and viable business model in the fields of large-scale performing arts, cross-sector empowerment, cultural creativity towns and culture-tourism integration. On this basis, new business modes and new products are continuously explored and developed and the business will soon enter the growth stage.

With respect to technology, Phoenix Digital Technology is an important practice of the Group to represent years of refinement of Phoenix TV in the fields of humanities and arts. By utilizing digital technologies such as augmented reality (AR), virtual reality (VR) and mixed reality (MR), an immersive experience comes into being and attracts a large audience. Phoenix Cloud, a platform of the Group's cloud technology business, is committed to transforming the media technologies and patents accumulated over the years into digital service products. iFeng Yun, a transmission tool for large files, Fengyun media asset management system and Oceans open cloud platform are expected to contribute significantly to our profit and revenue.

In 2018, Phoenix Digital Technology and the creativity business segment of Phoenix Culture jointly launched a high-tech interactive art exhibition *Life Along the Bian River During the Pure Brightness Festival* at the Palace Museum. By means of a new media interactive art form that integrates culture and technology, the scroll painting *Along the River during the Qingming Festival* has become a new type of exhibition, creating an experience which is immersive, shareable and transmissible, which has drawn extensive attention and recognition from all sectors of the society. This project has become a highlight for the Company's business operations and innovations, and touring exhibitions will subsequently take place in Hong Kong, Japan, the United Kingdom and other locations.

Due to the influence of the global Chinese community, Phoenix TV cooperates with the United Nations ("**UN**") agencies to help spread and practice the UN's goal of sustainable development, integrate into and facilitate global development, and contribute the wisdom of Phoenix to the world with an open and inclusive attitude. In an era of global turbulence, Phoenix is proud to have accomplished its mission in promoting corporate transformation and upgrade and cross-sector integration, as well as building a high-tech media group which is credible, influential and prominent around the globe. By embracing the development opportunities of the times, the Group is committed to return to the capital market for its expectations of Phoenix TV.

MANAGEMENT DISCUSSION AND ANALYSIS

Comments on Segmental Information

	Year ended 31 December			
	2018		2017	
	Revenue *HK$'000*	**Segment results** *HK$'000*	Revenue *HK$'000*	Segment results *HK$'000*
Television broadcasting	**1,284,068**	**254,096**	1,336,615	316,022
Internet media	**1,690,804**	**726,798**	1,733,094	453,583
Outdoor media	**823,084**	**142,899**	721,436	119,524
Real estate	**68,404**	**36,193**	29,464	(6,818)
Other businesses	**196,456**	**(99,203)**	136,878	(33,490)
Group's total revenue and segment results	**4,062,816**	**1,060,783**	3,957,487	848,821
Unallocated income		**6,966**		62,143
Unallocated expenses		**(303,697)**		(286,789)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**764,052**		624,175

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 31.6% of the total revenue of the Group for the year ended 31 December 2018, decreased 3.9% to approximately HK$1,284,068,000 (year ended 31 December 2017: HK$1,336,615,000). The critical traditional media trading environment has led to a decrease in the advertising income of the television broadcasting business. As the cost structure is relatively fixed, the segmental profit for the television broadcasting business reduced to approximately HK$254,096,000 for the year ended 31 December 2018 (year ended 31 December 2017: HK$316,022,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 28.5% of the total revenue of the Group for the year ended 31 December 2018, decreased 4.7% to approximately HK$1,159,445,000 (year ended 31 December 2017: HK$1,216,859,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others increased 4.1% to approximately HK$124,623,000 (year ended 31 December 2017: HK$119,756,000).

The revenue of the internet media business for the year ended 31 December 2018 decreased 2.4% to approximately HK$1,690,804,000 (year ended 31 December 2017: HK$1,733,094,000). The segmental profit of internet media business for the year ended 31 December 2018 was approximately HK$726,798,000 (year ended 31 December 2017: HK$453,583,000) as a result of a significant increase in net gain related to subsequent measurement of the investment in Particle Inc.

The revenue of the outdoor media business for the year ended 31 December 2018 increased 14.1% to approximately HK$823,084,000 (year ended 31 December 2017: HK$721,436,000). The segmental profit of the outdoor media business for the year ended 31 December 2018 increased 19.6% to approximately HK$142,899,000 (year ended 31 December 2017: HK$119,524,000).

The segmental gain for real estate business for the year ended 31 December 2018 was approximately HK$36,193,000 (year ended 31 December 2017: segmental loss of HK$6,818,000), which included the net fair value gain of approximately HK$7,533,000, recognized for the investment properties.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the section entitled "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 2017: 1 Hong Kong cent), totaling approximately HK$49,935,000 to be payable to shareholders whose names appear on the register of members of the Company on 14 June 2019, Friday. Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company (the "**AGM**"), the final dividend will be payable on or around 24 June 2019, Monday.

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 5 June 2019, Wednesday at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 May 2019, Friday to 5 June 2019, Wednesday (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 30 May 2019, Thursday.

The register of members of the Company will also be closed from 12 June 2019, Wednesday to 14 June 2019, Friday (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 11 June 2019, Tuesday.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2018, as a result of the exercise of share options by the option holders, the Group's equity interest in Phoenix New Media Limited ("**PNM**") decreased from 54.96% to 54.51% (as at 31 December 2017: the Group's equity interest in PNM decreased from 55.45% to 54.96%).

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2018 remained solid. As at 31 December 2018, the Group had cash and current bank deposits totaling about HK$1,665,485,000 (as at 31 December 2017: HK$2,690,998,000), as well as structured deposits of approximately HK$1,030,227,000 (as at 31 December 2017: nil) which have been recorded as financial assets at fair value through profit or loss. The aggregated outstanding borrowings of the Group were approximately HK$1,206,367,000 (as at 31 December 2017: HK$1,239,544,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of subsidiaries, 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 57.0% as at 31 December 2018 (as at 31 December 2017: 54.6%).

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 Renminbi ("**RMB**"), with minimal balances in Pound Sterling and New Taiwan dollars. The Group is therefore exposed to foreign exchange risks 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. 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 2018, the land and property in Chaoyang Park, Beijing, with carrying value of approximately HK$96,000,000, HK$365,000,000 and HK$1,497,000,000 (as at 31 December 2017: HK$103,000,000, HK$412,000,000 and HK$1,555,000,000) 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$734,745,000 (as at 31 December 2017: HK$781,666,000) was pledged with a bank to secure a bank borrowing 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$2,720,000 (as at 31 December 2017: HK$2,751,000) was pledged with a bank to secure a bank borrowing. No deposits were pledged with a bank to secure banking guarantee given to the landlord of a subsidiary (as at 31 December 2017: HK$352,000).

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2018 and 31 December 2017.

CAPITAL STRUCTURE AND SHARE OPTIONS

As at 31 December 2018, 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 4,993,469,500 Shares (as at 31 December 2017: 4,993,469,500 Shares) had been issued and fully paid.

There was no option exercised under the Company's share option schemes during the year.

As at 31 December 2018, 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 2018, the Group employed 2,869 full-time staff (as at 31 December 2017: 2,881) 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 2018 increased to approximately HK$1,286,214,000 (year ended 31 December 2017: HK$1,277,283,000).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the Group invested in listed securities investments with estimated fair market value of approximately HK$19,782,000 (as at 31 December 2017: HK$24,406,000) which was recognized as "financial assets at fair value through profit and loss", and the unlisted preferred shares of Particle Inc. held by the Group were recognized as "financial assets at fair value through profit and loss" with estimated fair market value of approximately HK$2,235,585,000 (as at 31 December 2017 recognized as "available-for-sale financial assets": HK$705,712,000 and "derivative financial instruments": HK$721,002,000). Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2018.

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 companies in the Group 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 provisions have been made in the audited consolidated financial information for the year. (Adequate provisions had also been made in the audited consolidated financial information for the year ended 31 December 2017).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any Shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's annual results for the year ended 31 December 2018 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 2018 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 own 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 of Hong Kong Limited (the "**Stock Exchange**") — with the objective of taking forward a corporate governance structure which builds on the Company'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 risk management committee of the Company (the "**Risk Management Committee**") also monitored 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 the explanations of deviations from the Code.

Save as disclosed below, the Company has, throughout the year ended 31 December 2018, 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 been continually serving as both the chairman of 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 under the second limb of code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and its Reason

(a) The chairman of the Board (the "**Chairman**"), namely Mr. LIU Changle, is not subject to retirement by rotation, which deviates from code provision A.4.2.

The reason for such deviation was due to the provision of the articles of association of the Company (the "**Articles of Association**"), which provided that the Chairman 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 each year. The Board considers that consecutive appointment of the Chairman is beneficial to the direction and implementation of the Company's long term business planning and strategy, and as such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

(b) None of the non-executive Directors and independent non-executive Directors are appointed with specific terms, which deviates from code provision A.4.1. However, under the Articles of Association, with the exception of the Chairman, 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 at each AGM. The Board considers that the rotation requirements in the Articles of Association are sufficient to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

(c) In 2017, a Director determined by lot to retire was prevented from doing so due to the provision in the Articles of Association which limited the number of retiring Directors at each AGM to “not greater than one-third (of the Board)”. As a result, the said Director held office for more than 3 years without retirement by rotation which deviated from code provision A.4.2. The said Director eventually retired and stood for re-election at 4-years interval at the AGM held on 6 June 2018.

To prevent future deviation from code provision A.4.2, the Company revised the relevant provision relating to rotation requirements of the Directors from “not greater than one-third” to “not less than one-third (of the Board)” at the extraordinary general meeting (the “**EGM**”) held on 17 December 2018. For details, please refer to the Company’s announcement and circular dated 16 November 2018 and 22 November 2018 respectively.

(3) Effective Communications

Code Provision

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Deviation and its Reason

The Chairman, Mr. LIU Changle was absent from the AGM held on 6 June 2018 due to a conflicting business schedule, and he invited Mr. CHUI Keung, executive Director and the chairman of the Risk Management Committee, to chair the AGM on his behalf. Mr. LIU also invited Mr. Thaddeus Thomas BECZAK, the chairman of the Audit Committee and nomination committee of the Company to attend the AGM.

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 2018.

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

Assignment of Loans Granted to Particle Inc.

On 28 January 2016, 5 April 2016, 10 August 2016, 2 November 2016 and 20 January 2017, PNM, a non-wholly owned subsidiary of the Company granted loans in the principal amounts of US$10,000,000, US$10,000,000, US$14,800,000 (the "**August 2016 Loan**"), RMB46,000,000 and RMB74,000,000 (the "**January 2017 Loan**") respectively to Particle Inc.

On 22 January 2018, PNM extended the terms of (i) the August 2016 Loan for a further six (6) months term to August 2018, and (ii) the January 2017 Loan to July 2018 after the extension. The expiration date of PNM's right to convert, at PNM's option, all or a part of the August 2016 Loan (including principal and interests) into Series D1 preferred shares to be issued by Particle Inc. was accordingly extended to 9 August 2018.

On 29 September 2017, PNM, Particle Inc. and Long De Cheng Zhang Culture Communication (Tianjin) Co., Ltd. ("**Long De**") entered into an agreement pursuant to which PNM was expected to assign its rights under the August 2016 Loan to Long De or its affiliates amongst other matters (the "**Previous Agreement**"). Given the delay in completion of the transactions contemplated under the Previous Agreement, on 2 April 2018, the parties agreed to terminate the Previous Agreement and replace it with a loan assignment agreement, pursuant to which PNM would assign the August 2016 Loan to Long De or its affiliates with an assignment price of approximately US$17,000,000 amongst other matters.

On 7 August 2018, Long De's designated affiliate paid the assignment price of approximately US$17,000,000 to PNM and the loan assignment was completed.

PNM currently owns approximately 37.64% of the total outstanding shares of Particle Inc. on an as-if converted basis.

Fund Raising Exercise for Phoenix Entertainment and Game Company Limited Group

In 2018, Phoenix Entertainment and Game Company Limited ("**Phoenix Games**"), a subsidiary of the Company, entered into a round of fund raising exercise seeking external funds to support its business plans in the comic and games industry. Based on the then valuation of Phoenix Games and its subsidiaries ("**Phoenix Games Group**"), the amount to be raised was in a total of RMB100,000,000 in exchange for a total of 5% equity interests in Phoenix Games Group.

On 22 January 2018, Phoenix Games entered into a strategic investment agreement with 深圳市國宏嘉信信息科技有限公司 ("**GuoHong**"), its overseas investment arm China Prosperity Capital Alpha Limited and various parties. GuoHong invested a sum of RMB50,000,000 in return for a 2.5% equity interest (on a diluted basis) in Phoenix Games Group and the transaction was completed on 2 February 2018 (the "**GuoHong Transaction**"). GuoHong is a private investment fund specializing in the mobile internet and pan entertainment industries of the Greater China region.

On 26 February 2018, Phoenix Games entered into another strategic investment agreement with 西藏明溪安同創業投資有限公司 ("**MingXi**") and various parties, the terms of which were similar to those of the GuoHong Transaction. Pursuant to the agreement, MingXi would invest a sum of RMB30,000,000 in return for a 1.5% equity interest (on a diluted basis) in Phoenix Games Group (the "**MingXi Transaction**"), and an injection of RMB20,000,000 had been completed by the end of 2018. MingXi is a subsidiary in an investment fund focusing on new technology and innovative enterprises with sustainable growth, high competitiveness and good corporate governance.

On 16 March 2018, Phoenix Games entered into another strategic investment agreement with 寧波信達華建投資有限公司 ("**XinDa**"), its overseas investment arm China Cinda (HK) Asset Management Co., Limited and various parties, the terms of which were similar to those of the GuoHong Transaction and the MingXi Transaction. Pursuant to the agreement, XinDa invested a sum of RMB20,000,000 in return for a 1% equity interest (on a diluted basis) in Phoenix Games Group and the transaction was completed on 18 April 2018. XinDa is a wholly-owned subsidiary of China Cinda Assets Management Co., Limited, one of the most prestigious investment brands in China.

Change of Company Name

On 25 January 2018, the Company announced the proposal to change the Company's English name from "Phoenix Satellite Television Holdings Limited" to "Phoenix Media Investment (Holdings) Limited" and to change the dual foreign name in Chinese from "鳳凰衛視控股有限公司" to "鳳凰衛視投資(控股)有限公司" in line with its business directions. The proposed change of company name was subject to: (i) approval by a special resolution of the shareholders at an EGM to approve the proposed change of company name; and (ii) approval by the Registrar of Companies of the Cayman Islands by issuing a certificate of incorporation on change of name.

The EGM was held on 6 March 2018 and a special resolution of the Shareholders was obtained. The Company received the certificate of incorporation on change of name from the Registrar of Companies of the Cayman Islands and the change of name was made effective from 7 March 2018. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong was also obtained on 19 March 2018. For details, please refer to the Company's announcement dated 21 March 2018.

Continuing Connected Transaction between 神州電視有限公司 (Shenzhou Television Company Ltd.*) ("Shenzhou") and CNHK Media Limited ("CNHK Media")

On 30 November 2018, Shenzhou, acting as the PRC advertising agent of Phoenix Satellite Television Company Limited ("**Phoenix TV**"), and CNHK Media entered into an advertising contract relating to the purchase of advertising airtime by CNHK Media (the "**2019 Contract**") for the ultimate benefits of the Group and 中國移動通信集團有限公司 (China Mobile Communications Group Co., Ltd.*, "**CMCC**") and its associates (collectively "**CMCC Group**").

* *For identification only*

Pursuant to the 2019 Contract, CNHK Media agreed to purchase advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the period from 1 January 2019 to 31 December 2019 for the sum not exceeding RMB40,000,000 for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CNHK Media has entered into contract(s) with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime from Phoenix TV on behalf of CMCC Group covering the aforementioned period. As such, the entering of the 2019 Contract by CNHK Media is for the ultimate benefits of the CMCC Group.

Pursuant to Rule 14A.20(1) of the Listing Rules, the Company considered CNHK Media a deemed connected person of the Company. As the transactions contemplated under the 2019 Contract constitute continuing connected transactions for the Company under the Listing Rules and all of the applicable percentage ratios in respect of the annual cap for the transactions are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated 30 November 2018.

Continuing Connected Transactions with CMCC Group

On 4 October 2018, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rules 14A.34 and 14A.51 of the Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all the transactions in relation to provision of website portal and value-added telecommunications services between PNM and its subsidiaries (collectively "**PNM Group**") and CMCC Group (the "**New Media CCT**") for the three years from 1 January 2019 to 31 December 2021, subject to the conditions disclosed in the Company's announcement and the circular dated 16 November 2018 and 22 November 2018 respectively.

On 17 December 2018, the Shareholders other than China Mobile (Hong Kong) Group Limited and its associates approved and confirmed the New Media CCT and the relevant annual caps of RMB181,000,000, RMB200,000,000 and RMB216,000,000 for each year ending 31 December 2019, 2020 and 2021 respectively at the EGM.

Strategic Cooperation Memorandum with 阿里巴巴（中國）有限公司 (Alibaba (China) Company Limited*) ("Alibaba")

On 16 November 2018, Phoenix TV, an indirect wholly-owned subsidiary of the Company, entered into a strategic cooperation memorandum (the "**Memorandum**") with Alibaba. Pursuant to the Memorandum, both parties expressed their intention to explore opportunities for possible cooperation in the areas of programme contents, products, platforms, internet technologies such as cloud computing and big data, as well as in fields such as cross-sector innovation, capital investment, middle-tier technology and data sharing, technological innovation transformation of Alibaba DAMO Academy and in the broadcast sector and to enter into binding strategic cooperation agreement(s) within the one-year validity of the Memorandum.

The Board is of the view that the possible cooperation with Alibaba will benefit the implementation of the Group's strategic goal of "leveraging the Company's brand influence and professionalism to build an internationally leading high-tech omni-media group focused on content operations and driven by cross-sector integration". For details, please refer to the Company's announcement dated 19 November 2018.

* *For identification only*

Discloseable Transaction regarding the Acquisition of Interest in 北京易天新動網絡科技有限公司 (Beijing Yitian Xindong Network Technology Co., Ltd.*) ("Yitian Xindong")

On 18 December 2018, 北京塵寰科技有限公司 (Beijing Chenhuan Technology Co., Ltd.*) ("**Chenhuan Technology**"), an indirect non-wholly owned subsidiary of the Company, entered into a share purchase and option agreement (the "**SP and Option Agreement**") with 天音通信有限公司 (Tianyin Telecommunication Co., Ltd.*) ("**Tianyin**") and 深圳市秉瑞信科技有限公司 (Bingruixin Technology Co., Ltd.*) ("**Bingruixin Technology**"). Pursuant to the SP and Option Agreement: (i) Tianyin agreed to sell and Chenhuan Technology agreed to purchase 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Initial Acquisition**"); (ii) Tianyin provided certain undertakings on the operation and financial performance of the Yitian Xindong to Chenhuan Technology. Should Yitian Xindong's performance fail to meet any of the performance targets in either 2019 or 2020, Chenhuan Technology will be entitled to a refund of RMB85,300,000 (the "**Performance Target Undertakings**"). As security to the said refund, Tianyin will provide security fund or bank guarantee to Chenhuan Technology; (iii) Bingruixin Technology agreed to grant a call option to Chenhuan Technology to acquire a further 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Call Option**").

On 1 March 2019, Chenhuan Technology exercised the Call Option and entered into a second share purchase agreement with Tianyin, Bingruixin Technology and Yitian Xindong (the "**Share Purchase Agreement**"). Pursuant to the Share Purchase Agreement: (i) Bingruixin Technology agreed to sell and Chenhuan Technology agreed to purchase 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Second Acquisition**"); and (ii) Tianyin provided undertakings identical to the Performance Target Undertakings for the Second Acquisition and will provide security fund or bank guarantee for the said refund.

Upon the completion of the Initial Acquisition, Chenhuan Technology obtained control over Yitian Xindong. Chenhuan Technology will hold an aggregated 51% of the equity interest in Yitian Xindong when the Second Acquisition is completed. Yitian Xindong owns and operates Tadu, a leading online reading mobile application in China that serves more than 1,000,000 daily active users, and it is expected that the acquisition of Tadu will provide synergy to the Group's business.

Major Transaction regarding the Disposal of Interest in Particle Inc.

On 22 March 2019, PNM, an indirect non-wholly owned subsidiary of the Company, and Run Liang Tai Management Limited (the "**Purchaser**"), an independent third party, entered into a formal agreement regarding to the sale and purchase of 32% equity interest in Particle Inc., on an as-if converted basis (the "**Formal Agreement**") which superseded the letter of intent previously entered into by the parties. Pursuant to the Formal Agreement, PNM agreed to sell and the Purchaser agreed to purchase 32% equity interest on an as-if converted basis held by PNM in Particle Inc., comprised an aggregate of 199,866,509 shares of Particle Inc., and 37.169% of the equity interest of 北京一點網聚科技有限公司 (Beijing Yidianwanju Technology Co., Ltd.*) held by a nominee of PNM on behalf of 北京一點網聚信息技術有限公司 (Beijing Particle Information Technology Co., Ltd.*) under a series of contractual arrangements, at a consideration of US$448,000,000 and RMB3,719,167 in cash respectively (the "**Disposal**").

* *For identification only*

Upon completion of the Disposal, the equity interest held by PNM in Particle Inc., will represent approximately 5.63% of the entire equity interest on an as-if converted basis in Particle Inc.

The principal business activities of the Particle Inc. and its subsidiaries are the operation of Yidian Zixun, a personalized news and life-style information application in China that allows users to define and explore desired content on their mobile devices.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk, and the Company's investor relations website at www.irasia.com/listco/hk/phoenixtv. The 2018 annual report of the Company will be despatched to the Shareholders and published on the above-mentioned websites on or before 25 April 2019.

AUDITED CONSOLIDATED FINANCIAL INFORMATION

The Board has the pleasure of presenting the audited consolidated financial information of the Group as at and for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

* *For identification only*

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018
(Amounts expressed in Hong Kong dollars)

	Note	**2018**	2017
		$'000	*$'000*
Revenue	*3*	**4,062,816**	3,957,487
Operating expenses	*6*	**(2,976,886)**	(2,817,858)
Selling, general and administrative expenses	*6*	**(1,152,628)**	(1,011,700)
Other gains, net			
Fair value gain on investment properties		**7,533**	44,868
Other operating gains, net	*4*	**799,839**	300,219
Interest income		**61,422**	195,465
Interest expense		**(38,044)**	(44,306)
Share of profits less losses of joint ventures		**3,427**	6,145
Share of profits less losses of associates		**10,632**	(19,888)
Profit before income tax	*6*	**778,111**	610,432
Income tax expense	*7*	**(216,768)**	(89,579)
Profit for the year		**561,343**	520,853
Profit attributable to:			
Owners of the Company		**243,790**	286,248
Non-controlling interests		**317,553**	234,605
		561,343	520,853
Earnings per share for profit attributable to the owners of the Company for the year			
Basic earnings per share, Hong Kong cents	*8*	**4.88**	5.73
Diluted earnings per share, Hong Kong cents	*8*	**4.88**	5.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(Amounts expressed in Hong Kong dollars)

	2018	2017
	$'000	*$'000*
Profit for the year	**561,343**	520,853
Other comprehensive income:		
Items that have been reclassified/may be reclassified to profit or loss		
Currency translation differences	**(183,006)**	171,984
Fair value loss on available-for-sale financial assets	—	(28,635)
Total comprehensive income for the year	**378,337**	664,202
Attributable to:		
Owners of the Company	**128,931**	377,835
Non-controlling interests	**249,406**	286,367
	378,337	664,202

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

(Amounts expressed in Hong Kong dollars)

	Note	**2018**	2017
		$'000	*$'000*
ASSETS			
Non-current assets			
Purchased programme and film rights, net		**10,772**	11,800
Lease premium for land		**198,636**	208,619
Property, plant and equipment, net		**1,045,483**	1,080,274
Investment properties		**1,512,304**	1,570,414
Intangible assets		**190,471**	26,960
Investments in joint ventures		**56,723**	40,027
Investments in associates		**89,734**	78,503
Available-for-sale financial assets	*13*	**—**	725,395
Financial assets at fair value through profit or loss	*15*	**18,909**	—
Conversion options for convertible redeemable preferred shares	*14*	**—**	721,002
Options for long-term investments	*14*	**—**	17,702
Other long-term assets		**79,299**	52,380
Deferred income tax assets		**72,332**	76,925
Pledged bank deposit		**—**	200,000
		3,274,663	4,810,001
Current assets			
Accounts receivable, net	*10*	**919,122**	940,240
Prepayments, deposits and other receivables		**858,652**	814,524
Inventories		**10,114**	7,493
Amounts due from related companies		**90,834**	333,610
Conversion options for convertible loans	*14*	**—**	19,513
Self-produced programmes		**8,434**	12,112
Purchased programme and film rights, net		**163**	147
Financial assets at fair value through profit or loss	*15*	**3,285,594**	24,406
Prepaid tax		**13,662**	8,971
Pledged bank deposits		**734,745**	581,666
Bank deposits		**419,305**	470,970
Restricted cash		**226**	587
Cash and cash equivalents		**1,246,180**	2,220,028
		7,587,031	5,434,267
Total assets		**10,861,694**	10,244,268

	Note	**2018**	2017
		$'000	*$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**499,347**	499,347
Reserves		**4,979,582**	4,876,121
		5,478,929	5,375,468
Non-controlling interests		**2,257,223**	1,937,120
Total equity		**7,736,152**	7,312,588
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	*12(a)*	**92,221**	329,215
Interest rate swap contracts	*14*	**—**	698
Financial liabilities at fair value through profit or loss	*15*	**5,363**	—
Other long-term liabilities		**4,672**	4,876
Loans from non-controlling shareholders of subsidiaries	*12(b)*	**235,428**	251,252
Deferred income tax liabilities		**337,183**	185,976
		674,867	772,017
Current liabilities			
Accounts payable, other payables and accruals	*11*	**1,324,125**	1,336,620
Secured bank borrowings	*12(a)*	**732,967**	596,507
Deferred income		**192,436**	109,029
Loans from non-controlling shareholders of a subsidiary	*12(b)*	**141,079**	57,694
Current income tax liabilities		**59,213**	58,823
Interest rate swap contracts	*14*	**—**	990
Financial liabilities at fair value through profit or loss	*15*	**855**	—
		2,450,675	2,159,663
Total liabilities		**3,125,542**	2,931,680
Total equity and liabilities		**10,861,694**	10,244,268

NOTES

(Amounts expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Phoenix Media Investment (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") engage principally in satellite television broadcasting and provision of internet 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 Group 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, except for the revaluation of investment properties and financial assets at fair value through profit or loss.

(a) Effect of adopting new standards and amendments to standards effective in 2018

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKAS 40 (Amendments)	Transfers of Investment Property
Annual Improvements	Annual Improvements 2014-2016 Cycle

Except for HKFRS 9 and HKFRS 15, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact on the Group's consolidated financial statements in the current and prior periods. The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 19.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year ended 31 December 2018 and have not yet been adopted by the Group:

HKFRS 3 (Amendments)	Definition of Business [2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [1]
HKFRS 16	Leases [1]
HKFRS 17	Insurance Contracts [3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material [2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment for Settlement [1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments [1]
Annual Improvements	Annual Improvements 2015-2017 Cycle [1]

(1) Effective for the Group for annual period beginning on 1 January 2019
(2) Effective for the Group for annual period beginning on 1 January 2020
(3) Effective for the Group for annual period beginning on 1 January 2021
(4) Effective date to be determined

The Group will apply the above new standards, amendments to standards and interpretations from 1 January 2019 or later periods. The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations, for which the preliminary assessment of HKFRS 16 is set out below.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$858,103,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

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

	2018	2017
	$'000	*$'000*
Advertising sales		
Television broadcasting	**1,176,750**	1,242,914
Internet media	**1,453,183**	1,468,037
Outdoor media	**823,084**	710,921
Mobile, video and wireless value added services income	**237,621**	265,057
Subscription sales	**75,444**	73,664
Magazine advertising and subscription or circulation	**34,669**	37,797
Rental income	**68,404**	29,464
Others	**193,661**	129,633
	4,062,816	3,957,487

4. OTHER OPERATING GAINS, NET

	2018	2017
	$'000	*$'000*
Exchange (loss)/gain, net	**(17,906)**	8,083
Investment income	**10,458**	7,442
Gain on deemed disposal of a subsidiary	**—**	5,007
Fair value gain on financial assets at fair value through profit or loss		
Investment in Particle Inc.	**802,877**	—
Other financial assets	**1,148**	5,403
Net fair value gain on derivative financial instruments	**—**	284,609
Provision for impairment of amounts due from joint ventures	**(3,133)**	(17,328)
Reversal of/(provision for) impairment of amount due from an associate	**1,199**	(1,199)
Others, net	**5,196**	8,202
	799,839	300,219

5. SEGMENT INFORMATION

	Year ended 31 December 2018								
	Television broadcasting								
	Primary channels *$'000*	Others *$'000*	Sub-total *$'000*	Internet media *$'000*	Outdoor media *$'000*	Real estate *$'000*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue									
External sales	1,159,445	124,623	1,284,068	1,690,804	823,084	68,404	196,456	—	4,062,816
Inter-segment sales *(Note c)*	—	35,799	35,799	15,298	3,876	43,926	13,635	(112,534)	—
Total revenue	1,159,445	160,422	1,319,867	1,706,102	826,960	112,330	210,091	(112,534)	4,062,816
Timing of revenue recognition									
At point in time	—	48	48	174,782	—	—	11,433	—	186,263
Over time	1,159,445	124,575	1,284,020	1,516,022	823,084	3,170	185,023	—	3,811,319
Revenue from other source	—	—	—	—	—	65,234	—	—	65,234
	1,159,445	124,623	1,284,068	1,690,804	823,084	68,404	196,456	—	4,062,816
Segment results	319,527	(65,431)	254,096	726,798	142,899	36,193	(99,203)	—	1,060,783
Unallocated income *(Note a)*									6,966
Unallocated expenses *(Note b)*									(303,697)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									764,052
Share of profits less losses of joint ventures									3,427
Share of profits less losses of associates									10,632
Income tax expense									(216,768)
Profit for the year									561,343
Non-controlling interests									(317,553)
Profit attributable to owners of the Company									243,790
Depreciation	(16,836)	(15,269)	(32,105)	(38,413)	(31,780)	(35,570)	(8,382)	—	(146,250)
Unallocated depreciation									(40,129)
									(186,379)
Interest income	—	937	937	44,011	3,563	83	374	—	48,968
Unallocated interest income									12,454
									61,422
Interest expenses	—	(70)	(70)	(16,210)	—	(11,900)	—	—	(28,180)
Unallocated interest expenses									(9,864)
									(38,044)
Reversal of provision for impairment of accounts receivable	—	—	—	11,470	—	—	—	—	11,470
Provision for impairment of accounts receivable	—	—	—	(38,087)	(3,187)	—	(12,418)	—	(53,692)
Provision for impairment of amount due from a joint venture	—	—	—	(3,133)	—	—	—	—	(3,133)
Reversal of provision for impairment of amount due from an associate	—	—	—	1,199	—	—	—	—	1,199

	Year ended 31 December 2017								
	Television broadcasting								
	Primary channels *$'000*	Others *$'000*	Sub-total *$'000*	Internet media *$'000*	Outdoor media *$'000*	Real estate *$'000*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue									
External sales	1,216,859	119,756	1,336,615	1,733,094	721,436	29,464	136,878	—	3,957,487
Inter-segment sales *(Note c)*	—	39,199	39,199	6,160	—	9,685	5,927	(60,971)	—
Total revenue	1,216,859	158,955	1,375,814	1,739,254	721,436	39,149	142,805	(60,971)	3,957,487
Segment results	348,532	(32,510)	316,022	453,583	119,524	(6,818)	(33,490)	—	848,821
Unallocated income *(Note a)*									62,143
Unallocated expenses *(Note b)*									(286,789)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									624,175
Share of profits less losses of joint ventures									6,145
Share of profits less losses of associates									(19,888)
Income tax expense									(89,579)
Profit for the year									520,853
Non-controlling interests									(234,605)
Profit attributable to owners of the Company									286,248
Depreciation	(24,810)	(15,882)	(40,692)	(40,839)	(31,279)	(36,286)	(3,548)	—	(152,644)
Unallocated depreciation									(41,822)
									(194,466)
Interest income	—	414	414	182,495	3,069	95	309	—	186,382
Unallocated interest income									9,083
									195,465
Interest expenses	—	(71)	(71)	(25,461)	—	(13,552)	—	—	(39,084)
Unallocated interest expenses									(5,222)
									(44,306)
Impairment of property, plant and equipment	—	—	—	—	(4,367)	—	—	—	(4,367)
Unallocated impairment of property, plant and equipment									—
									(4,367)
Reversal of provision for impairment of accounts receivable	—	—	—	32,691	876	—	—	—	33,567
Provision for impairment of accounts receivable	—	(176)	(176)	(22,195)	(1,974)	—	—	—	(24,345)
Provision for impairment of amount due from a joint venture	—	—	—	(17,328)	—	—	—	—	(17,328)
Provision for impairment of amount due from an associate	—	—	—	(1,199)	—	—	—	—	(1,199)

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 related to the Group as a whole; and
— exchange loss

(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:

	2018	2017
	$'000	*$'000*
The PRC	**3,874,755**	3,819,941
Hong Kong	**110,428**	50,557
Others	**77,633**	86,989
	4,062,816	3,957,487

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

	2018	2017
	$'000	*$'000*
The PRC	**2,523,741**	2,351,641
Hong Kong	**617,085**	864,360
Others	**42,596**	52,976
	3,183,422	3,268,977

6. PROFIT BEFORE INCOME TAX

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

	2018	2017
	$'000	*$'000*
Crediting		
Reversal of provision for impairment of accounts receivable	**(11,470)**	(33,567)
Gain on disposal of property, plant and equipment	**(1,801)**	(5,517)
Charging		
Production costs of self-produced programmes	**197,568**	203,163
Commission expenses	**403,341**	370,055
Bandwidth costs	**67,274**	63,439
Provision for impairment of accounts receivable	**53,692**	24,345
Employee benefit expenses (including Directors' emoluments)	**1,286,214**	1,277,283
Operating lease rental in respect of		
— Directors' quarters	**1,872**	1,882
— Land and buildings of third parties	**70,953**	62,521
— LED panels	**251,063**	200,954
Loss on disposal of property, plant and equipment	**2,543**	4,905
Depreciation of property, plant and equipment	**186,379**	194,466
Amortisation of purchased programme and film rights	**9,306**	12,256
Amortisation of lease premium for land	**5,833**	5,725
Amortisation of intangible assets	**10,377**	9,073
Impairment of intangible assets	**10,277**	—
Impairment of property, plant and equipment	**—**	4,367
Auditor's remuneration		
— Audit services	**15,663**	13,930
— Non-audit services	**1,156**	1,051
Outgoings for investment properties	**6,001**	5,604

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	$'000	*$'000*
Current income tax		
— Hong Kong profits tax	**3,628**	26,071
— PRC and overseas taxation	**59,987**	57,568
— Under/(over) provision of tax in the prior year	**2,134**	(1,396)
Deferred income tax	**151,019**	7,336
	216,768	89,579

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 so 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.

A deferred tax provision of approximately HK$149,300,000 has been recorded in the Group's consolidated income statement during the year ended 31 December 2018. The tax provision is related to the Group's investment in convertible redeemable preferred shares which the Group now expects to recover through sale.

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.

	2018	2017
Profit attributable to owners of the Company *($'000)*	**243,790**	286,248
Weighted average number of ordinary shares in issue *('000)*	**4,993,470**	4,993,803
Basic earnings per share *(Hong Kong cents)*	**4.88**	5.73

(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 (2017: share options of the Company and 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. There was no dilutive potential ordinary shares in existence during 2018. The impact of the dilutive instruments of the subsidiaries is not material to the Group's diluted earnings per share.

	2018	2017
Profit attributable to owners of the Company *($'000)*	**243,790**	286,248
Weighted average number of ordinary shares in issue *('000)*	**4,993,470**	4,993,803
Adjustment for share options of the Company *($'000)*	—	10
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,993,470**	4,993,813
Diluted earnings per share (Hong Kong cents)	**4.88**	5.73

9. DIVIDENDS

	2018	2017
	$'000	*$'000*
Proposed final dividend of 1 Hong Kong cent (2017: 1 Hong Kong cent) per share	**49,935**	49,935

The 2017 final dividends paid during the year ended 31 December 2018 were approximately HK$49,935,000 (1 Hong Kong cent per share). The Board of Directors of the Company ("Board") recommended the payment of a final dividend for 2018 of 1 Hong Kong cent per share, totalling approximately HK$49,935,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 5 June 2019. These consolidated financial statements do not reflect this dividend payable.

10. ACCOUNTS RECEIVABLE, NET

	2018	2017
	$'000	*$'000*
Accounts receivable	**1,056,184**	1,052,510
Less: Provision for impairment	**(137,062)**	(112,270)
	919,122	940,240

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 2018, the ageing analysis of the accounts receivable from customers was as follows:

	2018	2017
	$'000	*$'000*
0-30 days	**277,630**	316,041
31-60 days	**208,012**	199,573
61-90 days	**156,020**	131,337
91-120 days	**116,490**	85,604
Over 120 days	**298,032**	319,955
	1,056,184	1,052,510
Less: Provision for impairment	**(137,062)**	(112,270)
	919,122	940,240

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

	2018	2017
	$'000	*$'000*
RMB	**1,040,513**	1,031,560
US$	**12,610**	14,469
UK pound	**1,666**	4,940
Other currencies	**1,395**	1,541
	1,056,184	1,052,510

11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2018	2017
	$'000	*$'000*
Accounts payable	**391,350**	380,722
Other payables and accruals	**932,775**	955,898
	1,324,125	1,336,620
Less: Non-financial liabilities	**(13,400)**	(13,996)
	1,310,725	1,322,624

At 31 December 2018, the ageing analysis of the accounts payable was as follows:

	2018	2017
	$'000	*$'000*
0-30 days	**237,882**	240,858
31-60 days	**13,986**	17,393
61-90 days	**18,973**	10,275
91-120 days	**11,663**	7,276
Over 120 days	**108,846**	104,920
	391,350	380,722

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:

	2018	2017
	$'000	*$'000*
HK$	**221,099**	247,478
RMB	**1,077,581**	1,063,799
US$	**8,229**	6,703
UK pound	**3,233**	3,912
Other currencies	**583**	732
	1,310,725	1,322,624

12. BORROWINGS

	2018	2017
	$'000	*$'000*
Secured bank borrowings *(Note a)*	**825,188**	925,722
Loans from non-controlling shareholders of subsidiaries *(Note b)*	**376,507**	308,946
	1,201,695	1,234,668

(a) Secured bank borrowings

	2018	2017
	$'000	*$'000*
Non-current		
Long-term secured bank borrowings	**92,221**	329,215
Current		
Current portion of long-term secured bank borrowings	**732,967**	596,507
Total secured bank borrowings	**825,188**	925,722

	2018	2017
	$'000	*$'000*
The secured bank borrowings are repayable as follows:		
— Within one year	**732,967**	596,507
— More than one year but not exceeding two years	**62,090**	233,015
— More than two years but not exceeding five years	**28,222**	94,248
— More than five years	**1,909**	1,952
Total secured bank borrowings	**825,188**	925,722

(b) Loans from non-controlling shareholders of subsidiaries

	2018	2017
	$'000	*$'000*
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**235,428**	251,252
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**141,079**	57,694
Total loans from non-controlling shareholders of subsidiaries	**376,507**	308,946

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

	2018	2017
	$'000	*$'000*
— Within one year	**141,079**	57,694
— More than one year but not exceeding two years	**78,889**	77,163
— More than two years but not exceeding five years	**133,961**	155,239
— More than five years	**22,578**	18,850
	376,507	308,946

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2017: same).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	$'000	*$'000*
Balance, beginning of year	**725,395**	617,835
Change in accounting policy *(Note 19)*	**(725,395)**	—
Additions	**—**	7,068
Fair value loss	**—**	(28,635)
Interest income	**—**	124,529
Currency translation differences	**—**	4,598
Balance, end of year	**—**	725,395

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
Conversion options for convertible redeemable Preferred Shares *(Notes 15 & 19)*	**—**	721,002	**—**	—
Conversion options for convertible loan	**—**	19,513	**—**	—
Options for long term investments *(Note 15)*	**—**	17,702	**—**	—
Interest rate swap contracts *(Note 15)*	**—**	—	**—**	(1,688)
Total	**—**	758,217	**—**	(1,688)

15. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	$'000	*$'000*
Non-current assets		
Option for long term investment	**18,909**	—
Current assets		
Trading equity securities	**19,782**	24,406
Convertible redeemable preferred shares *(Note 16)*	**2,235,585**	—
Structured deposits	**1,030,227**	—
	3,285,594	24,406
Current liability		
Interest rate swap contract	**(855)**	—
Non-current liability		
Cross-currency interest rate swap contract	**(5,363)**	—

16. 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 2017, 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$20,000,000 (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 2018, subject to the completion of issuance of Series D Preferred Shares by Particle. Particle has drawn down all of the US$20,000,000 loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20,000,000 into 23,600,000 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$14,800,000 (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 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. In August 2017, the term of the Convertible Loan was extended to eighteen months to February 2018. On 22 January 2018, the term of the Convertible Loan was further extended to August 2018.

On 2 November 2016, PNM provided another short-term unsecured loan to Particle of RMB46,000,000 (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months. In January 2017, the term of the loan was extended to twelve months to November 2017. In November 2017, the unsecured loan was repaid by Particle.

On 20 January 2017, PNM also provided a short-term unsecured loan to Particle of RMB74,000,000 (approximately HK$83,835,000) at an interest rate of 9.00% per annum with a term of twelve months.

Following the adoption of HKFRS 9 - Financial Instruments on 1 January 2018, the investments in Series B, C and D1 Preferred Shares of Particle (classified as AFS and derivative financial instruments in 2017) and Convertible Loan (classified as loans and receivables and derivative financial instruments in 2017) have been reclassified as financial assets at fair value through profit or loss ("FVPL") (Note 19(A)(b)(i)).

On 22 January 2018, the term of the loan was extended for six months and the loan was fully repaid in July 2018.

On 2 April 2018, PNM signed an agreement with an investor of Particle to grant a right to assign the US$14,800,000 convertible loan issued by Particle for US$17,000,000 to that investor of Particle (the "Loan Assignment"). The Loan Assignment was completed on 7 August 2018.

On 23 February 2019, PNM entered into a letter of intent ("LOI") with an independent third party (the "Purchaser") pursuant to which the Purchaser will purchase 32% equity interest of Particle held by PNM on an as-if converted basis. The total consideration is US$448,000,000 (approximately HK$3,494,400,000), based on an estimated transaction valuation.

The independent professional valuer (the "Valuer") adopted the discounted cash flow method and market approach to calculate the enterprise value of Particle at 31 December 2018. Accordingly, the fair values of the investments in Series B, C and D1 Preferred Shares have increased significantly to HK$2,235,600,000 at 31 December 2018 and a fair value gain of HK$802,900,000 was recognised in the consolidated income statement.

17. ACQUISITION OF A SUBSIDIARY

On 18 December 2018, PNM announced that its indirect non-wholly owned subsidiary Beijing Chenhuan Technology Co., Ltd. ("Chenhuan") entered into an agreement to acquire 25.5% equity interests in Beijing Yitian Xindong Network Technology Co., Ltd. ("Yitian Xindong"), for an aggregate purchase price of RMB144,100,000 (the "Acquisition"). The Acquisition completed on 28 December 2018 ("Completion Date') following the payment of part of the consideration of RMB73,000,000 (approximately HK$82,000,000) and the change of business registration. As Bingruixin Technology Co., Ltd. , another 25.5% equity interests holder in Yitian Xindong entrusted its voting rights in respect to its shareholding in the Yitian Xindong to Chenhuan on the Completion Date, Chenhuan was able to obtain control over Yitian Xindong. Consequently, all the identifiable assets of Yitian Xindong was measured at fair value at Completion Date and consolidated in the Group's financial statements and a goodwill of HK$111,310,000 was recognized as an intangible asset in the Group's financial statements. Yitian Xindong owns the mobile application Tadu, a leading online digital reading application in China that currently has more than 1,000,000 daily active users.

18. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Deemed disposal of partial interest in PNM

During the year ended 31 December 2018, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 54.96% to 54.51%. The Group recognised a deemed net loss of approximately HK$4,966,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$16,043,000 for the year ended 31 December 2018.

During the year ended 31 December 2017, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 55.45% to 54.96%. The Group recognised a deemed net gain of approximately HK$4,731,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$25,776,000 for the year ended 31 December 2017.

19. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the group's financial statements.

(A) HKFRS 9 — Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Accounting policies applied from 1 January 2018:

(a) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets either those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

FVOCL: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management as elected to present fair value gains and losses on equity investments in profit or loss there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, and contract assets the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the proceeds receivable are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

(b) HKFRS 9 Financial instruments — Impact of adoption

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

Impact of application of HKFRS 9 on consolidated statements of changes in equity:

	Revaluation reserve *HK$'000*	**Retained earnings** *HK$'000*
Closing balance as at 31 December 2017 under HKAS 39	815	3,044,660
Reclassify investments from available-for-sale to FVPL	(815)	815
Opening balance as at 1 January 2018 under HKFRS 9	—	3,045,475

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets	Notes	FVPL HK$'000	Available for-sale HK$'000	Amortised cost (Loans and Receivables 2017) HK$'000	Derivative financial instruments (Assets) (Current) HK$'000	Derivative financial instruments (Assets) (Non-current) HK$'000	Total HK$'000
Closing balance 31 Dec 2017 — HKAS 39		**24,406**	**725,395**	**1,889,890**	**19,513**	**738,704**	**3,397,908**
Reclassify investments from available-for-sale and derivative financial instruments to FVPL	*(a),(b)*	1,483,612	(725,395)	—	(19,513)	(738,704)	—
Reclassify investments from Loans and Receivables to FVPL	*(b)*	115,752	—	(115,752)	—	—	—
Opening balance 1 Jan 2018 — HKFRS 9		**1,623,770**	**—**	**1,774,138**	**—**	**—**	**3,397,908**

Note:

(a) Reclassification from AFS to FVPL

Included in AFS were investments in convertible redeemable preferred shares — debt component and investment in unlisted equity securities.

Investments in convertible redeemable preference shares were reclassified from AFS to financial assets at FVPL (as at 1 January 2018: HK$705,712,000). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. In accordance with HKFRS 9, the Group shall apply the requirements in HKFRS 9 to the entire contract and present the derivative component of convertible redeemable preferred shares (as at 1 January 2018: HK$738,704,000) with the host contract in FVPL.

The related fair value gains of HK$815,000 were transferred from the revaluation reserve to retained earnings on 1 January 2018.

Investment in unlisted equity securities (as at 1 January 2018: HK$19,683,000) were reclassified from AFS to financial assets at FVPL as the Group elected to present fair value gain or loss on equity securities in profit or loss.

(b) Reclassification from loans and receivables to FVPL

Investments in convertible loan to Particle were reclassified from loans and receivables to financial assets at FVPL (as at 1 January 2018: HK$115,752,000). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. In accordance with the arrangement in HKFRS 9, the Group shall apply the requirements in HKFRS 9 to the entire contract and present the convertible option of convertible loan (as at 1 January 2018: HK$19,513,000) with the host contract in FVPL.

(B) HKFRS 15 — Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a goods or service transfers to a customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time. The classification is disclosed in Note 5.

The Group engages principally in satellite television broadcasting and provision of internet media services, which are mainly rendered over time. The Group adopted a modified retrospective approach for transition to HKFRS 15.

HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

Accounting for incremental costs incurred for obtaining a contract

Before the adoption of HKFRS 15, costs such as sales commission incurred directly attributable for obtaining an advertising and subscription contract were charged to profit or loss as incurred. Under HKFRS 15, if recoverable, they should be capitalized and recorded as assets. However, as the advertising and subscription contracts of the Group are within one year (i.e. the amortisation period that the Group will otherwise recognise would be one year or less), the Group has applied the practical expedient to expense the cost off through profit or loss.

Accounting for costs incurred for fulfilling a contract

Following the adoption of HKFRS 15, certain production costs incurred in fulfilling a contract with a customer amounting to approximately HK$177,000 as at 31 December 2018 (as at 1 January 2018: HK$ Nil) were capitalised and amortised over the period when the related service was transferred to the customers.

The effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 January 2018 are as follows:

	At 1 January 2018		
	As previously stated	Reclassification under HKFRS 15	Restated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)			
Accounts payable, other payables and accruals	1,336,620	(76,807)	1,259,813
Deferred income	109,029	76,807	185,836

The amount by each financial statements line items affected in the current year by the application of HKFRS 15 as compared to HKAS 18 that were previously in effect before the adoption of HKFRS 15 is as follows:

	At 31 December 2018		
	Amounts before the adoption of HKFRS 15	Reclassification under HKFRS 15	Amounts as reported
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extracted)			
Accounts payable, other payables and accruals	1,387,061	(62,936)	1,324,125
Deferred income	129,500	62,936	192,436

Contract liabilities

As at 1 January 2018 and 31 December 2018, deferred income amounting to approximately HK$185,836,000 and HK$192,436,000 respectively, represented contract liabilities in relation to advance payments made by the customers while the underlying services are yet to be provided under HKFRS 15.

Other than the above, the adoption of HKFRS 15 did not have significant impact on the consolidated financial statements.

20. SUBSEQUENT EVENT

On 1 March 2019, PNM entered into a second share purchase agreement with Bingruixin Technology Co., Ltd. to purchase an additional 25.5% of the equity interest in Yitian Xidong for cash consideration of RMB144,000,000.

On 22 March 2019, PNM entered into the Share Purchase Agreement with Run Liang Tai Management Limited ("Run Liang Tai"), pursuant to which PNM conditionally agreed to sell the 32% equity interest in Particle on an as-if converted basis and Run Liang Tai conditionally agreed to purchase the Sale Shares for cash consideration of US$448,000,000 (approximately HK$3,494,400,000).

By Order of the Board
LIU Changle
Chairman

Hong Kong, 26 March 2019

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. JIAN Qin, 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)