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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**" or "**Directors**") of Phoenix Media Investment (Holdings) Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**" or "**Phoenix**") for the six months ended 30 June 2019 (the "**Period**").

FINANCIAL SUMMARY

- Revenue of the Group for the Period was approximately HK$1,641,730,000, which represented a decrease of 10.6% in comparison with the same period last year.

- Operating loss of the Group for the Period was approximately HK$477,417,000, which represented an increase of 321.8% in comparison with the same period last year.

- Fair value gain on financial assets for the Period was approximately HK$351,740,000, in comparison with HK$62,476,000 for the same period last year.

- The loss attributable to owners of the Company was approximately HK$202,045,000, in comparison with approximately HK$8,660,000 for the same period last year as a result of severe deterioration in the traditional media business environment and an increase in the contribution to the strategic upgrade of the Group.

BUSINESS OVERVIEW AND PROSPECTS

Despite the continuing uncertain global political and economic environment and the drastic changes in the media market in the first half of 2019, Phoenix TV continued to expand its business proactively on the foundation of its sound financial conditions during the Period. The Group has upgraded its strategic positioning as a "content operation-oriented high-tech omni-media group" since 2018 and, on this basis, set 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 with content operations as its core and the development of cross-sector integration. In the first half of 2019, the second year since the strategy was implemented, the Group's business system under the omni-media framework continued to develop with integrated innovations, incubating emerging projects with synergies. During the Period, the financial performance of the Group was in line with its transformation and upgrade. Mr. Liu Changle, the Chairman and Chief Executive Officer, emphasizes that the international influence and credibility of Phoenix TV must be maintained and strategic innovations should be continuously pushed forward.

Based in Hong Kong and serving Chinese all over the world with nearly 60 news bureaux and correspondent stations worldwide, Phoenix TV delivers first-hand news to the Chinese audience globally with professionalism and passion adhering to the reporting philosophy of "Chinese perspective", "patriotic sentiment", "caring for the world", "live-broadcasting as a priority" and "exclusivity and uniqueness". In the first half of 2019, our global Phoenix TV team witnessed and reported global events such as the China-U.S. trade war and the related negotiation process, the meeting between the U.S. President Donald Trump and North Korean leader Kim Jong-un, the G20 Summit in Osaka, the progress of Brexit, the U.S.-Iran Persian Gulf standoff, the political situation in Venezuela and the enthronement of the new Emperor of Japan, as well as major events in China including the two sessions (the Second Session of the 13th National Congress of the People's Republic of China and the Second Session of the 13th National Committee of the China People's Political Consultative Conference), the Second Belt and Road Forum for International Cooperation and the Asian Civilization Dialogue Conference. In the programme *Talk with World Leaders* (《風雲對話》), special interviews were made with Giuseppe Conte, the Prime Minister of Italy, Uasuo Fukuda, the former Prime Minister of Japan, Taro Kono, the Foreign Minister of Japan, William Cohen, the former Defense Secretary of the U.S., Peter Estlin, the Lord Mayor of London, Farhad Dejpasand, the Minister of Economic Affairs and Finance of Iran and Peter Szijjarto, the Minister of Foreign Affairs and Trade of Hungary. Phoenix TV's correspondents also successfully interviewed Suga Yoshihide, Japan's Chief Cabinet Secretary, Cui Tiankai, Chinese Ambassador to the U.S., Kong Xuanyou, Chinese Ambassador to Japan and Han Kuo-yu, Taiwan's Kaohsiung Mayor. These reports and interviews won praise and acclaims from Chinese audiences all over the world, reflecting the international status and global influence of Phoenix TV.

In addition to professional news reporting, Phoenix TV's programmes and promotional trailers have always been enjoying good reputations among Chinese media. In recognition of its high-quality content production, Phoenix TV was crowned with four awards at the New York Festivals TV & Films Awards 2019 in April this year, including Gold World Medal in the Documentary: Human Concerns category for *C'est La Vie: Ten Days* (《冷暖人生：十日告別》), Finalist Certificate in the Documentary: History and Society category for *Mysterious Country — DPRK in the Storm* (《迷離國度 — 暴風眼中的朝鮮》), Finalist Certificate in the Documentary: Religion category for *China and the Vatican — A Story Beyond East and West* (《超越西東 — 當中國遇見梵蒂岡》), and Finalist Certificate in the "Films — Short Films" category for *The News Circle* (《新聞朋友圈》).

Phoenix TV's brand value and industry status continued to excel. After being rated again as one of The World's 500 Largest Media Companies in late 2018, Phoenix TV received the "Hong Kong Listed Company with the Best Brand Value" award in the Best Listed Companies in Greater China event in the first half of 2019, which demonstrates that the outstanding performance of Phoenix TV has been recognized by the capital market. In addition, Phoenix TV also received the "Ten Years of Media Influence" award granted by Weibo, recognizing its delivery of high-quality contents to Weibo for the last 10 years, which have earned a tremendously high number of viewers, forming a huge and influential microblog network.

Due to the impact of factors such as uncertainties of the global and domestic economic conditions and the drastically changing media market, the performance of the Group's television broadcasting business has somewhat declined at which the advertising revenue from traditional media is on a downward trend. Phoenix TV is sensitive to such changes and takes responsive actions accordingly by incessantly exploring different forms of diversified media products to make space for the survival of the innovative media. By focusing on content operations in its development direction, it continues to promote a business operation mode characterized by online and offline integration, providing a platform of multi-adaptive omni-media products, enriching and exploring the industry chain and value chain of the media industry. Phoenix TV attempts the integration between innovative technology and media. *Phoenix Health* (《鳳凰大健康》), a programme series launched in early 2019, applied virtual intelligence technology together with artificial intelligence interactions for the first time, to give authoritative and in-depth analysis on popular health science topics. Such innovative contents have effectively enhanced the efforts in promotion and sales of programmes.

Phoenix TV is committed to leading the transformation and innovation of the media industry and promoting the capitalization of core media resources. In view of the new technological revolution and industrial transformation burgeoning around the world, Phoenix TV has set its goals to support the forerunners in the technological industry and help enhancing the brand competitiveness of the SMEs. The "Phoenix Innovation Industry Alliance", being ardently planned and established by Phoenix TV in coordination with influential investment banks, commercial banks, industry associations and academic institutions in the market, is going to construct a strategic incubation service platform to accelerate the growth of SMEs, with an aim to provide assistance through capital and industry chain supports for the innovation and development of the SMEs. In response to the needs of the SMEs in promoting their products and services, Phoenix TV will create new customized programme series for the enterprises.

In terms of strategic channel expansion, the Group has aggressively expanded its global distribution channels to reach audiences worldwide through satellite, cable networks, mobile internet, over-the-top (OTT) platforms, IPTV and social media, satisfying the demands of different devices as well as different user groups. In response to, in particular, the development trend of the internet media carrier, the Group is focusing on Fengshows app, an integrated media operating platform on which it develops various forms of contents such as short videos, live streaming and interactive communities, in order to enhance the ability of Phoenix TV in monetizing the traffic of its contents. *Phoenix Zone*, a video on-demand product of Phoenix TV's television programme contents, works with a number of companies on content cooperation over the overseas platform. Coverage of regions including Europe, North America, Asia and Oceania has been completed through the new media cooperation platform.

The Group's internet media segment, Phoenix New Media, has its flagship product ifeng News APP, which has always been one of the most popular mobile news apps in China. The news app comprehensively develops in different areas including self-media, live streaming and IP, and the number of its active users remains at a high level. Phoenix New Media has constantly enhanced product experience in areas such as customized contents feeding and users' portraits by integrating computer algorithm with manual intervention. Besides, Yidian Zixun, an algorithm-based news feed app in which the Group strategically invested through Phoenix New Media, has provided considerable valuation gain to the Group in recent years. In 2019, the Group strategically disposed of a portion of the investment in Yidian, which will bring considerable investment income to the Group.

The Group's outdoor media platform, Phoenix Metropolis Media, has become a large and very influential outdoor LED media operator with good revenue and profits in Mainland China. Two major business forms, namely Phoenix LED Alliance, built on the foundation of extensive LED media resources with alliance members, and Phoenix Interaction, applying leading digital interactive technology on outdoor advertising business, have become a supplement and upgrade to the LED media business. In the first half of 2019, LED media business remained strong in both revenue and profits. Its visual contents and innovative forms of outdoor advertising are highly recognized in the industry.

The Group has also maintained healthy development in other business segments.

With respect to technology area, Phoenix Digital Technology is an important establishment of the Group's technology innovation of contents, representing Phoenix's years of refinement in the fields of humanities and arts. By utilizing digital technologies such as augmented reality, virtual reality and mixed reality, an immersive experience comes into being for a large audience. The most iconic project was the high-tech interactive digital art exhibition *Along the River during the Qingming Festival 3.0* at the Palace Museum, launched jointly by Phoenix Digital Technology and the Palace Museum in 2018. By means of a new media interactive artistic technique that integrated culture and technology, the scroll painting *Along the River during the Qingming Festival* has become a new type of exhibition-performance providing an immersive experience, and drawing extensive attention and recognition from all sectors of the society. In 2019, *Along the River during the Qingming Festival 3.0* was brought to Hong Kong for exhibition at the Asia World-Expo from July to August. The project has become a highlight for the Group's business operations and innovations, and touring exhibitions will subsequently take place in Japan, the United Kingdom and other places around the world.

Phoenix Cloud, a platform of the Group's cloud technology business, is committed to transforming and marketising its media technologies and the patents accumulated over the years into digital service products, called the "Fengyun Media Asset" system, which enables Phoenix TV's reporters and editors to work together in collaboration on the "cloud". Embracing 5G technology, Phoenix Cloud has also made early progress in its technological deployment and promoted cinema cooperation projects. One of its self-developed products, Flying Fish, is a distribution transmission system developed for the distribution of digital copies of movies, which does not only improve the efficiency of film distribution through the network, but will also create various modes of distribution and bring promising market development prospects.

With respect to cultural creativity area, Phoenix Entertainment owns the copyrights of the comics adapted from the novels of the deceased Mr. Jin Yong, which include comic works such as *Demi-Gods and Semi-Devils* (《天龍八部》), *The Smiling, Proud Wanderer* (《笑傲江湖》) and *Legends of the Condor Heroes* (《射雕英雄傳》). The total number of views (hits) of these comics on Tencent Comics「騰訊動漫」, the largest animation comic platform in China, has reached approximately 1.3 billion. The next step is to speed up the creation and incubation of IP and enhance the ability to monetize IP products. Besides, after several years of business deployment, Phoenix Culture, serving as the cultural creativity industry platform of the Group, has formed a sustainable business model in areas such as large-scale performing arts, art exhibition and cultural tourism. On this basis, new business modes, new products and businesses have been continuously explored and developed.

In regard to corporate social responsibilities, Phoenix TV has continued to cooperate with organizations under the United Nations ("**UN**"), helping the UN to promote and implement the objective of sustainable development, and contribute its knowledge to the world with an open and inclusive attitude in order to push forward the global development.

In an era of political and economic uncertainties around the world with drastic changes in the ecology of media and technology, Phoenix will as always safeguard the core competitiveness of its brand and contents and firmly adhere to journalistic professionalism. Meanwhile, it will continuously promote innovations, focusing on innovations in relation to new forms of programme designs, programme operation, differentiation of high-quality contents and omni-media platform technology. Together with the Phoenix Innovation Industry Alliance being planned and the digital art exhibition *Along the River during the Qingming Festival 3.0* in Hong Kong, Phoenix is steadily transforming and developing into a hi-tech omni-media group focused on synergetic investments and content operations, maximising the Group's value, and fulfilling the expectations of the capital market and the faithful audience of Phoenix TV.

RESULTS

The revenue of the Group for the Period was approximately HK$1,641,730,000 (six months ended 30 June 2018: HK$1,836,813,000), which represented a decrease of 10.6% in comparison with the same period last year as a result of severe deterioration in the traditional media business environment. Due to an increase in the contribution to strategic upgrade, the operating costs for the Period have increased by 8.7% to approximately HK$2,119,147,000 (six months ended 30 June 2018: HK$1,950,008,000).

The operating loss of the Group for the Period was approximately HK$477,417,000 (six months ended 30 June 2018: HK$113,195,000), which represented an increase of 321.8% over the same period last year.

Fair value gain on financial assets related to the subsequent measurement of internet media's investment in Particle Inc. for the Period was approximately HK$351,740,000 (six months ended 30 June 2018: HK$62,476,000). Particle Inc. is a strategic investment of Phoenix New Media Limited ("**PNM**"), a subsidiary of the Company, and it mainly operates the Yidian Zixun mobile APP featuring personalized interest-based information and news feed functions targeting the mass market.

The net exchange gain of the Group for the Period was approximately HK$7,321,000 (six months ended 30 June 2018: HK$38,718,000), mainly resulting from the depreciation of the Renminbi.

The loss attributable to owners of the Company for the Period was approximately HK$202,045,000 (six months ended 30 June 2018: HK$8,660,000).

The chart below summarises the performance of the Group for the six months ended 30 June 2019 and the same period in 2018 respectively.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Television broadcasting	**395,711**	550,993
Internet media	**813,727**	819,416
Outdoor media	**346,877**	383,574
Real estate	**13,765**	28,291
Other businesses	**71,650**	54,539
Group's total revenue	**1,641,730**	1,836,813
Operating costs	**(2,119,147)**	(1,950,008)
Operating loss	**(477,417)**	(113,195)
Fair value (loss)/gain on investment properties, net	**(6,847)**	59,400
Net gain on internet media investment	**351,740**	62,476
Exchange gain, net	**7,321**	38,718
Other income, net	**2,535**	26,681
(Loss)/profit before share of results of joint ventures and associates, income tax and non-controlling interests	**(122,668)**	74,080
Share of results of joint ventures and associates	**(5,265)**	6,544
Income tax expense	**(53,155)**	(34,825)
(Loss)/profit for the period	**(181,088)**	45,799
Non-controlling interests	**(20,957)**	(54,459)
Loss attributable to owners of the Company	**(202,045)**	(8,660)
Basic loss per share, Hong Kong cents	**(4.05)**	(0.17)

MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

	Six months ended 30 June			
	2019		2018	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Television broadcasting	**395,711**	**(88,948)**	550,993	53,573
Internet media	**813,727**	**137,869**	819,416	53,503
Outdoor media	**346,877**	**33,221**	383,574	60,722
Real estate	**13,765**	**(27,508)**	28,291	43,694
Other businesses	**71,650**	**(63,314)**	54,539	(36,472)
Group's total revenue and segment results	**1,641,730**	**(8,680)**	1,836,813	175,020
Unallocated income		**25,370**		47,542
Unallocated expenses		**(139,358)**		(148,482)
(Loss)/profits before share of results of joint ventures and associates, income tax and non-controlling interests		**(122,668)**		74,080

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 24.1% of the total revenue of the Group for the Period, decreased to approximately HK$395,711,000 (six months ended 30 June 2018: HK$550,993,000). The continued expansion of internet media has continued to pose a challenge to conventional media. As the cost structure is relatively fixed, the segmental loss for television broadcasting business was approximately HK$88,948,000 for the Period (six months ended 30 June 2018: profit of HK$53,573,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 21.0% of the total revenue of the Group for the Period, decreased 31.6% to approximately HK$344,214,000 (six months ended 30 June 2018: HK$503,174,000).

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 7.7% to approximately HK$51,497,000 (six months ended 30 June 2018: HK$47,819,000).

The revenue of the internet media business for the Period decreased 0.7% to approximately HK$813,727,000 (six months ended 30 June 2018: HK$819,416,000). The segmental profit of the internet media business for the Period was approximately HK$137,869,000 (six months ended 30 June 2018: HK$53,503,000) as a result of significant increase in net gain related to subsequent measurement of the investment in Particle Inc.

The revenue of the outdoor media business for the Period decreased 9.6% to approximately HK$346,877,000 (six months ended 30 June 2018: HK$383,574,000). The segmental profit of outdoor media business for the Period was approximately HK$33,221,000 (six months ended 30 June 2018: HK$60,722,000).

The segmental loss in the real estate business for the Period was approximately HK$27,508,000 (six months ended 30 June 2018: gain of HK$43,694,000), which included the net fair value loss of approximately HK$6,847,000 (six months ended 30 June 2018: gain of HK$59,400,000), recognised for the investment properties.

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

DIVIDENDS

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 30 June 2019, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM decreased from 54.51% to 54.49%. (as at 31 December 2018: the Group's equity interest in PNM decreased from 54.96% to 54.51%).

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2019 remained solid. As at 30 June 2019, the Group's total cash and current bank deposits were about HK$2,337,756,000 (as at 31 December 2018: HK$1,665,485,000), as well as structured deposits of approximately HK$538,781,000 (as at 31 December 2018: HK$1,030,227,000) which have been recorded as financial assets at fair value through profit or loss. The aggregate outstanding borrowings of the Group were approximately HK$709,580,000 (as at 31 December 2018: HK$1,206,367,000), 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. For details, please refer to Note 19 of the unaudited condensed consolidated interim financial information. The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 89.2% as at 30 June 2019 (as at 31 December 2018: 57.0%). The increase in total liabilities was mainly contributed by lease liabilities of approximately HK$764,432,000 (as at 31 December 2018: Nil), which were recognized on adoption of HKFRS 16 Leases, and increase in accounts payable, other payables and accruals due to US$100,000,000 deposit received from the disposal of interest in Particle Inc.

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 30 June 2019, the land and property in Chaoyang Park, Beijing, with carrying value of approximately HK$96,000,000, HK$354,000,000 and HK$1,506,000,000 (as at 31 December 2018: HK$96,000,000, HK$365,000,000 and HK$1,497,000,000) recorded in right-of-use assets, 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$235,440,000 (as at 31 December 2018: HK$734,745,000) was pledged with a bank to secure 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$2,707,000 (as at 31 December 2018: HK$2,720,000) was pledged with a bank to secure a bank borrowing.

Save as disclosed above, the Group did not have any other charges on its assets as at 30 June 2019 and 31 December 2018.

CAPITAL STRUCTURE AND SHARE OPTIONS

As at 30 June 2019, the authorized share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each, of which 4,993,469,500 shares (as at 31 December 2018: 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 Period.

As at 30 June 2019, 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 30 June 2019, the Group employed 2,803 full-time staff (as at 31 December 2018: 2,869) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plans, defined contribution pension schemes and employee share option schemes. Staff costs for the Period increased to approximately HK$691,907,000 (six months ended 30 June 2018: HK$638,491,000).

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2019, the Group invested in listed securities investments with estimated fair market value of approximately HK$19,782,000 (as at 31 December 2018: HK$19,782,000) which was recognised as "financial assets at fair value through profit or loss", and the unlisted preferred shares of Particle Inc. held by the Group was recognised as "financial assets at fair value through profit or loss" with estimated fair market value of approximately HK$2,592,665,000 (as at 31 December 2018: HK$2,235,585,000). Save as disclosed above, the Group had not held any other significant investment for the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

In view of the challenging environment ahead, 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 unaudited condensed consolidated interim financial information for the Period.

OTHER IMPORTANT EVENTS AND SUBSEQUENT EVENTS

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 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 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 holds an aggregated 51% of the equity interest in Yitian Xindong after the Second Acquisition. 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.

Very Substantial Disposal 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 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., which comprised an aggregate of 199,866,509 shares of Particle Inc., (the "**Offshore Sale Shares**") 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**").

On 31 May 2019, PNM sent a completion confirmation letter to the Purchaser to confirm the satisfaction of all of the conditions precedents in the Formal Agreement (the "**Conditions**"). The Purchaser, however, disputed the satisfaction of certain Conditions.

On 23 July 2019, PNM and the Purchaser entered into a supplemental agreement (the "**Supplemental Agreement**"). The key terms of the Supplemental Agreement, amongst other things, are: (i) the parties conditionally agreed to carry out the completion regardless of whether any dispute is raised by any party in respect of satisfaction of the Conditions under the Formal Agreement; (ii) to adjust the amount of Offshore Sale Shares to an aggregate of 212,358,165 shares of Particle Inc.; (iii) the Purchaser will pay a further deposit in the sum of US$50,000,000 (the "**Further Deposit**") within 2 working days after the shareholder's approval of the transactions contemplated under the Supplemental Agreement; and (iv) completion shall take place in two stages: (a) the amount of consideration at the first completion is US$200,000,000 (subject to deduction of the deposit in the sum of US$100,000,000) for 94,802,752 shares of Particle Inc., the first completion shall take place within 7 working days after the shareholder's approval of the transactions contemplated under the Supplemental Agreement; (b) the amount of the consideration at the second completion is US$248,000,000 (subject to the deduction of the Further Deposit and all the interest accrued from any of the deposits) for 117,555,413 shares of Particle Inc., the second completion shall take place within 5 working days after payment of the consideration for the second completion (on or before 10 August 2020).

For details of the Formal Agreement, the Supplemental Agreement and the Disposal, please see the circular of the Company dated 14 May 2019 and the announcement of the Company dated 25 July 2019.

The principal business activities of 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.

** For identification purpose only*

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company had not redeemed any shares of the Company (the "**Share(s)**"). Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code on corporate governance which combined its existing principles and practices with most of the code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") — all 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**") had monitored the progress on corporate governance practices, risk management and internal control systems of the Company throughout the Period under review.

Save as disclosed below, the Company has, throughout the Period made up to 30 June 2019, complied with the Code.

(1) Distinctive Roles of Chairman and the Chief Executive Officer

Code Provision

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

Deviation and its Reasons

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

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

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

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

(2) Appointments, Re-election and Removal

Code Provision

Under 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

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.

(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 5 June 2019 due to a conflicting business schedule, and he had invited Mr. Chui Keung, executive director and the chairman of the Risk Management Committee, to chair the AGM on his behalf. Mr. Liu had also invited Mr. Thaddeus Thomas Beczak, the chairman of the audit committee (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 as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries 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 Period.

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference based upon the guideline recommended by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code. The primary duties of the Audit Committee are to review the Company's annual report and accounts and half-year report and to provide advice and comments to the Board. The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and to discuss auditing, risk management and internal control and financial reporting matters. The terms of reference of the Audit Committee was published on both the websites of the Company and the Stock Exchange.

As at the date of this announcement, the Audit Committee comprised one non-executive Director, namely Mr. Gong Jianzhong and two independent non-executive Directors, namely Mr. Thaddeus Thomas Beczak (Chairman) and Mr. Leung Hok Lim.

During the Period under review, the Audit Committee had reviewed the unaudited condensed consolidated interim financial information for the Period and the related interim results announcement, and provided advices and comments thereto.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company for the Period is published on the website of the Stock Exchange at www.hkexnews.hk and the professional investor relation platform at www.irasia.com/listco/hk/phoenixtv. The interim report of the Company for the Period will be despatched to Shareholders and published on the abovementioned websites on or before 30 September 2019.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board has the pleasure of presenting the unaudited condensed consolidated financial information of the Group as at and for the six months ended 30 June 2019, together with the comparative figures for the corresponding period and relevant date in 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**1,641,730**	1,836,813
Operating expenses	*6*	**(1,554,673)**	(1,402,187)
Selling, general and administrative expenses	*6*	**(564,474)**	(547,821)
Other gains, net			
Fair value (loss)/gain on investment properties		**(6,847)**	59,400
Other operating gain, net	*6*	**372,375**	108,482
Interest income		**24,936**	39,240
Interest expense		**(35,715)**	(19,847)
Share of profit less losses of associates		**(1,318)**	11,545
Share of profit less losses of joint ventures		**(3,947)**	(5,001)
(Loss)/profit before income tax		**(127,933)**	80,624
Income tax expense	*7*	**(53,155)**	(34,825)
(Loss)/profit for the period		**(181,088)**	45,799
(Loss)/profit attributable to:			
Owners of the Company		**(202,045)**	(8,660)
Non-controlling interests		**20,957**	54,459
		(181,088)	45,799
Loss per share for loss attributable to the owners of the Company			
Basic loss per share, Hong Kong cents	*9*	**(4.05)**	(0.17)
Diluted loss per share, Hong Kong cents	*9*	**(4.05)**	(0.17)

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(181,088)**	45,799
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**48,790**	183,957
Total comprehensive (expense)/income for the period	**(132,298)**	229,756
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	**(172,287)**	107,116
Non-controlling interests	**39,989**	122,640
	(132,298)	229,756

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET — UNAUDITED
As at 30 June 2019

	Note	As At 30 June 2019 HK$'000	As At 31 December 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	*10*	**13,941**	10,772
Lease premium for land	*11*	**—**	198,636
Right-of-use assets	*27*	**923,681**	—
Property, plant and equipment, net	*12*	**1,000,647**	1,045,483
Investment properties	*13*	**1,524,234**	1,512,304
Intangible assets	*14*	**212,402**	190,471
Investments in joint ventures		**37,998**	56,723
Investments in associates		**90,411**	89,734
Financial assets at fair value through profit or loss	*17*	**19,061**	18,909
Other long-term assets		**72,930**	79,299
Deferred income tax assets		**84,415**	72,332
		3,979,720	3,274,663
Current assets			
Accounts receivable, net	*15*	**1,013,944**	919,122
Prepayments, deposits and other receivables	*16*	**875,189**	858,652
Inventories		**9,554**	10,114
Amounts due from related companies	*25*	**73,359**	90,834
Self-produced programmes		**7,473**	8,434
Purchased programme and film rights, net	*10*	**108**	163
Financial assets at fair value through profit or loss	*17*	**3,151,228**	3,285,594
Prepaid tax		**13,662**	13,662
Pledged bank deposits	*22*	**235,440**	734,745
Bank deposits		**435,441**	419,305
Restricted cash		**268,637**	226
Cash and cash equivalents		**1,902,315**	1,246,180
		7,986,350	7,587,031
Total assets		**11,966,070**	10,861,694

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET — UNAUDITED
As at 30 June 2019

	Note	**As At 30 June 2019** *HK$'000*	As At 31 December 2018 *HK$'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*21*	**499,347**	499,347
Reserves		**4,610,122**	4,979,582
		5,109,469	5,478,929
Non-controlling interests		**2,196,165**	2,257,223
Total equity		**7,305,634**	7,736,152
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	*19*	**64,649**	92,221
Lease liabilities	*27*	**555,786**	—
Financial liabilities at fair value through profit or loss	*17*	**3,502**	5,363
Other long-term liabilities		**4,723**	4,672
Loans from non-controlling shareholders of subsidiaries	*19*	**233,907**	235,428
Deferred income tax liabilities		**375,732**	337,183
		1,238,299	674,867
Current liabilities			
Accounts payable, other payables and accruals	*20*	**2,162,676**	1,324,125
Secured bank borrowings	*19*	**257,055**	732,967
Lease liabilities	*27*	**208,646**	—
Deferred income		**561,444**	192,436
Loans from non-controlling shareholders of a subsidiary	*19*	**149,450**	141,079
Current income tax liabilities		**82,866**	59,213
Financial liabilities at fair value through profit or loss		**—**	855
		3,422,137	2,450,675
Total liabilities		**4,660,436**	3,125,542
Total equity and liabilities		**11,966,070**	10,861,694

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2019

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Employee share-based payment reserve *HK$'000*	Retained earnings *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 31 December 2018	499,347	150,063	160,199	1,535,271	(152,891)	63,116	3,223,824	2,257,223	7,736,152
Change in accounting policy *(Note 27)*	—	—	—	—	—	—	(32,409)	(38,035)	(70,444)
Balance at 1 January 2019	499,347	150,063	160,199	1,535,271	(152,891)	63,116	3,191,415	2,219,188	7,665,708
Loss for the period	—	—	—	—	—	—	(202,045)	20,957	(181,088)
Other comprehensive income									
Currency translation differences	—	—	—	—	29,758	—	—	19,032	48,790
Total comprehensive income for the period	—	—	—	—	29,758	—	(202,045)	39,989	(132,298)
Transactions with owners									
Share option scheme									
— value of employee services	—	—	—	—	—	—	—	2,656	2,656
— lapse of share options	—	210	—	—	—	(210)	—	—	—
Acquisition of subsidiaries	—	—	—	(114,193)	—	—	—	(16,228)	(130,421)
Dividends related to 2018	—	—	—	—	—	—	(49,935)	—	(49,935)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(53,203)	(53,203)
Allocation to statutory reserve	—	—	3	—	—	—	(3)	—	—
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	—	—	—	(355)	—	(281)	—	3,763	3,127
Total transactions with owners	—	210	3	(114,548)	—	(491)	(49,938)	(63,012)	(227,776)
Balance at 30 June 2019	499,347	150,273	160,202	1,420,723	(123,133)	62,625	2,939,432	2,196,165	7,305,634

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Revaluation reserve *HK$'000*	Employee share-based payment reserve *HK$'000*	Retained earnings *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2018	499,347	149,155	144,693	1,515,136	(38,032)	—	59,694	3,045,475	1,937,120	7,312,588
Profit for the period	—	—	—	—	—	—	—	(8,660)	54,459	45,799
Other comprehensive income										
Currency translation differences	—	—	—	—	115,776	—	—	—	68,181	183,957
Total comprehensive income for the period	—	—	—	—	115,776	—	—	(8,660)	122,640	229,756
Transactions with owners										
Share option scheme										
— value of employee services	—	—	—	—	—	—	8,573	—	8,304	16,877
— lapse of share options	—	16	—	—	—	—	(16)	—	—	—
Dividends related to 2017	—	—	—	—	—	—	—	(49,935)	—	(49,935)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(52,044)	(52,044)
Allocation to statutory reserve	—	—	56	—	—	—	—	(56)	—	—
Deemed gain on disposal of partial interest in a subsidiary arising from issue of shares	—	—	—	25,101	—	—	—	—	(314)	24,787
Disposal of interests in a a subsidiary	—	—	—	—	—	—	—	—	498	498
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	—	—	—	(4,966)	—	—	(3,576)	—	14,499	5,957
Total transactions with owners	—	16	56	20,135	—	—	4,981	(49,991)	(29,057)	(53,860)
Balance at 30 June 2018	499,347	149,171	144,749	1,535,271	77,744	—	64,675	2,986,824	2,030,703	7,488,484

Note: The statutory reserve of the Group refers to the People's Republic of China ("PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(214,180)**	54,247
Interest received	**5,661**	32,569
Interest paid	**(16,440)**	(19,847)
Hong Kong taxation refund	**—**	228
Overseas taxation paid	**(5,874)**	(40,601)
Net cash (used in)/generated from operating activities	**(230,833)**	26,596
Cash flows from investing activities		
Increase in restricted cash	**(268,411)**	—
Increase in bank deposits	**(16,136)**	(134,236)
Decrease/(increase) in pledged bank deposits	**499,305**	(32,354)
Purchase of intangible assets	**(25,482)**	(5)
Purchase of property, plant and equipment	**(42,954)**	(65,720)
Purchase of programme and film rights	**(9,146)**	(1,369)
Additions to the right-of-use assets	**(82,786)**	—
Proceeds from disposal of property, plant and equipment	**4,991**	1,142
Investment income from financial assets at fair value through profit or loss	**503**	503
Investment income from bank deposits and pledged bank deposits	**6,124**	3,197
Capital contribution to various investments	**(4,987)**	—
Disposal/(purchase) of financial assets at fair value through profit or loss	**491,446**	(598,069)
Deposit for disposal of financial assets at fair value through profit or loss	**784,472**	—
Deposit for contingent consideration	**113,539**	—
Net cash inflows from acquisition of subsidiaries	**36,672**	—
Net cash inflows from deemed disposal of a subsidiary	**—**	25,285
Net cash generated from/(used in) investing activities	**1,487,150**	(801,626)
Cash flows from financing activities		
Dividends paid to owners of the Company	**(49,935)**	(49,935)
Proceeds from exercise of share options of a subsidiary	**3,127**	5,957
Drawdown of secured bank borrowings	**—**	509,590
Repayment of secured bank borrowings	**(510,373)**	(531,161)
Increase in lease liabilities	**81,960**	—
Principal elements of lease payments	**(101,556)**	—
Loans from non-controlling shareholders of subsidiaries	**3,474**	68,288
Dividends paid to non-controlling interests	**(53,203)**	(52,044)
Net cash used in financing activities	**(626,506)**	(49,305)
Net increase/(decrease) in cash and cash equivalents	**629,811**	(824,335)
Cash and cash equivalents at beginning of period	**1,246,180**	2,220,028
Net exchange gains on cash and cash equivalents	**26,324**	118,503
Cash and cash equivalents at end of period	**1,902,315**	1,514,196

The notes on pages 22 to 52 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION — UNAUDITED

1 GENERAL INFORMATION

Phoenix Media Investment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") engage in satellite television broadcasting activities and provision of internet media services.

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

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 16 August 2019.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(b) Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018 as described in those annual financial statements.

(a) Effect of adopting new standards, amendments to standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2019.

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment for Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Annual Improvements	Annual Improvements 2015-2017 Cycle

Except for HKFRS 16, the adoption of the other new or revised standards, amendments and interpretations of HKFRS stated above did not have any significant impact to the Group's condensed consolidated interim financial information in the current and prior periods. The impact of the adoption of HKFRS 16 is disclosed in Note 27 below.

(b) ***New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 December 2019 and have not been early adopted by the Group***

HKFRS 3 (Amendments)	Definition of Business[1]
HKFRS 17	Insurance Contracts[2]
HKAS 1 and HKAS 8	Definition of Material (Amendments)[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

(1) Effective for the Group for annual period beginning on 1 January 2020
(2) Effective for the Group for annual period beginning on 1 January 2021
(3) Effective for the Group for annual period beginning on 1 January 2022

The Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Liquidity risk

Compared to year end, with the exception of the adoption of HKFRS 16, there was no material change in the contractual undiscounted cash outflow for financial liabilities.

4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted pries included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The Finance Department reviews the valuations of the financial instruments, including the convertible redeemable preferred shares ("Preferred Shares") which are categorised into Level 3 of the fair value hierarchy. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets				
Financial assets at fair value through profit or loss				
— Trading equity securities	**19,782**	**—**	**—**	**19,782**
— Convertible redeemable preferred shares	**—**	**—**	**2,592,665**	**2,592,665**
— Options for long-term investments	**—**	**—**	**19,061**	**19,061**
— Structured deposits	**—**	**538,781**	**—**	**538,781**
	19,782	**538,781**	**2,611,726**	**3,170,289**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— Cross-currency interest rate swap contracts	**—**	**3,502**	**—**	**3,502**
	—	**3,502**	**—**	**3,502**

The following table presents the Group's financial assets and liability that are measured at fair value at 31 December 2018.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss				
— Trading equity securities	19,782	—	—	19,782
— Convertible redeemable preferred shares	—	—	2,235,585	2,235,585
— Options for long-term investments	—	—	18,909	18,909
— Structured deposits	—	1,030,227	—	1,030,227
	19,782	1,030,227	2,254,494	3,304,503
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— Interest rate swap contracts	—	855	—	855
— Cross-currency interest rate swap contracts	—	5,363	—	5,363
	—	6,218	—	6,218

During the six months ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the six months ended 30 June 2019, there were no changes in valuation techniques and reclassifications of financial assets and liabilities (six months ended 30 June 2018: Nil).

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. As at 30 June 2019, instruments included in Level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$19,782,000 (as at 31 December 2018: HK$19,782,000) (Note 17).

(b) ***Financial instruments in Level 2***

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(c) ***Financial instruments in Level 3***

(1) Quantitative information about fair value measurements using significant unobservable inputs for major financial instruments in Level 3

Description	**Fair value at 30 June 2019** *HK$'000*	**Valuation technique(s)**	**Unobservable inputs**	**Value of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Convertible redeemable preferred shares	**2,592,665**	Discounted cash flow method and market approach	Discount rate	16%-22.5%	The lower the discount rate, the higher the fair value
			Lack of Marketability discount ("DLOM")	15%-20%	The lower the DLOM, the higher the fair value
			Volatility	45.8%-48.1%	The lower the volatility, the higher the fair value
			Revenue growth rate	10%-52%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
			Control premium	30%	The higher the control premium, the higher the fair value
Options for long-term investments	**19,061**	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	35%	The lower the discount rate, the higher the fair value

Description	Fair value at 31 December 2018 *HK$'000*	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares	2,235,585	Discounted cash flow method and market approach	Discount rate	17%-22.5%	The lower the discount rate, the higher the fair value
			Lack of Marketability discount ("DLOM")	15%-20%	The lower the DLOM, the higher the fair value
			Volatility	44.5%	The lower the volatility, the higher the fair value
			Revenue growth rate	4%-76%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
			Control premium	30%	The higher the control premium, the higher the fair value
Options for long-term investments	18,909	Various techniques (including discounted cash flow method and option-pricing method)	Discount rate	35%	The lower the discount rate, the higher the fair value

The convertible redeemable preferred shares represent investments in Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares as at 30 June 2019 and 31 December 2018 (see Note 26 for details).

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

The following table presents the changes in level 3 instruments during the six months ended 30 June 2019 and year ended 31 December 2018. The carrying value of derivative component of the Preferred Shares recognized in the condensed consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares.

	Options for long-term investments	**Convertible redeemable preferred shares**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Opening balance on 1 January 2019	**18,909**	**2,235,585**	**2,254,494**
Fair value (loss)/gain recognized in profit or loss	**(52)**	**351,740**	**351,688**
Currency translation differences	**204**	**5,340**	**5,544**
Closing balance on 30 June 2019	**19,061**	**2,592,665**	**2,611,726**

	Equity Securities and convertible loans	Options for long-term investment	Convertible redeemable preferred shares	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening balance on 1 January 2018	154,948	17,702	1,426,714	1,599,364
Fair value (loss)/gain recognized in profit or loss	(1,900)	2,053	802,877	803,030
Disposal loss	(690)	—	—	(690)
Disposal	(152,798)	—	—	(152,798)
Currency translation differences	440	(846)	5,994	5,588
Closing balance on 31 December 2018	—	18,909	2,235,585	2,254,494

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

	Revenue growth rate 10% increase or decrease *HK$'000*	Terminal growth rate 1% increase or decrease *HK$'000*	Discount rate 3% increase or decrease *HK$'000*	DLOM 3% increase or decrease *HK$'000*	Volatility 5% increase or decrease *HK$'000*	Control premium 5% increase or decrease *HK$'000*
Six months ended 30 June 2019						
Preferred Shares	**221,436/ (205,399)**	**88,719/ (76,811)**	**(347,992)/ 538,947**	**(98,774)/ 98,568**	**(1,003)/ 38,692**	**5,127/ (5,196)**
Year ended 31 December 2018						
Preferred Shares	272,616/ (244,651)	82,472/ (75,586)	(361,310)/ 525,164	(86,364)/ 86,775	(146,042)/ 2,707	22,430/ (22,509)

No sensitivity analysis for options for long term investment amounting to HK$19,061,000 (2018: HK$18,909,000) is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

4.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted cash, bank deposits, pledged bank deposits, accounts receivable, deposits and other receivables, amounts due from related companies, loans from non-controlling shareholders of a subsidiary, accounts payable, other payables and accruals, approximate their fair values due to their short maturities.

For the fair values of borrowings, please refer to Note 19.

5 SEGMENTAL INFORMATION

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

The Group has five main operating segments including:

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

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

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

(ii) Internet media — provision of website portal and value added telecommunication services;

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

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

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

	Period ended 30 June 2019								
	Television broadcasting								
	Primary channels *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Internet media *HK$'000*	Outdoor media *HK$'000*	Real estate *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Revenue									
External sales	344,214	51,497	395,711	813,727	346,877	13,765	71,650	—	1,641,730
Inter-segment sales *(Note c)*	—	17,920	17,920	4,445	634	2,283	4,225	(29,507)	—
Total revenue	344,214	69,417	413,631	818,172	347,511	16,048	75,875	(29,507)	1,641,730
Timing of revenue recognition									
At a point in time	—	3	3	147,291	—	—	17,088	—	164,382
Over time	344,214	51,494	395,708	666,436	346,877	2,844	54,562	—	1,466,427
Revenue from other source	—	—	—	—	—	10,921	—	—	10,921
	344,214	51,497	395,711	813,727	346,877	13,765	71,650	—	1,641,730
Segment results	(51,404)	(37,544)	(88,948)	137,869	33,221	(27,508)	(63,314)	—	(8,680)
Unallocated income *(Note a)*									25,370
Unallocated expenses *(Note b)*									(139,358)
Loss before share of results of joint ventures, associates, income tax and non-controlling interests									(122,668)
Share of profits less losses of joint ventures									(3,947)
Share of profits less losses of associates									(1,318)
Income tax expense									(53,155)
Loss for the period									(181,088)
Non-controlling interests									(20,957)
Loss attributable to owners of the Company									(202,045)
Depreciation	(6,412)	(7,615)	(14,027)	(46,228)	(133,533)	(17,275)	(7,120)	—	(218,183)
Unallocated depreciation									(18,583)
									(236,766)
Interest income	1	761	762	15,419	1,822	133	721	—	18,857
Unallocated interest income									6,079
									24,936
Interest expenses	—	(52)	(52)	(8,636)	(13,547)	(4,683)	(2,356)	—	(29,274)
Unallocated interest expenses									(6,441)
									(35,715)
Provision for impairment of accounts receivable	—	—	—	(42,350)	—	—	(37)	—	(42,387)
Reversal of provision for impairment of accounts receivable	—	—	—	20,083	—	—	—	—	20,083

	Period ended 30 June 2018								
	Television broadcasting								
	Primary channels *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Internet media *HK$'000*	Outdoor media *HK$'000*	Real estate *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Revenue									
External sales	503,174	47,819	550,993	819,416	383,574	28,291	54,539	—	1,836,813
Inter-segment sales *(Note c)*	—	18,335	18,335	6,980	—	2,608	6,033	(33,956)	—
Total revenue	503,174	66,154	569,328	826,396	383,574	30,899	60,572	(33,956)	1,836,813
Timing of revenue recognition									
At a point in time	1,500	2,104	3,604	79,592	57	—	16,126	—	99,379
Over time	501,674	45,715	547,389	739,824	383,517	2,402	38,413	—	1,711,545
Revenue from other source	—	—	—	—	—	25,889	—	—	25,889
	503,174	47,819	550,993	819,416	383,574	28,291	54,539	—	1,836,813
Segment results	76,686	(23,113)	53,573	53,503	60,722	43,694	(36,472)	—	175,020
Unallocated income *(Note a)*									47,542
Unallocated expenses *(Note b)*									(148,482)
Profit before share of results of joint ventures, associates, income tax and non-controlling interests									74,080
Share of profits less losses of joint ventures									(5,001)
Share of profits less losses of associates									11,545
Income tax expense									(34,825)
Profit for the period									45,799
Non-controlling interests									(54,459)
Loss attributable to owners of the Company									(8,660)
Depreciation	(9,044)	(7,589)	(16,633)	(18,771)	(16,489)	(18,310)	(3,585)	—	(73,788)
Unallocated depreciation									(20,498)
									(94,286)
Interest income	—	713	713	29,868	1,692	22	813	—	33,108
Unallocated interest income									6,132
									39,240
Interest expenses	—	(35)	(35)	(9,814)	—	(6,377)	—	—	(16,226)
Unallocated interest expenses									(3,621)
									(19,847)
Provision for impairment of accounts receivable	—	—	—	(20,761)	(3,187)	—	—	—	(23,948)
Reversal of provision for impairment of accounts receivable	—	—	—	11,470	—	—	—	—	11,470

Notes:

(a) Unallocated income represents exchange gain, interest income, fair value gain on financial assets (realised and unrealised) and investment income.

(b) Unallocated expenses represent primarily:

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

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

6 PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Crediting		
Reversal of provision for impairment of accounts receivable	**(20,083)**	(11,470)
Gain on disposal of property, plant and equipment	**(198)**	(1,012)
Charging		
Production costs of self-produced programmes	**103,820**	95,585
Commission expenses	**165,898**	197,002
Bandwidth costs	**33,288**	34,584
Provision for impairment of accounts receivable	**42,387**	23,948
Employee benefit expenses (including Directors' emoluments)	**691,907**	638,491
Operating lease rental in respect of		
— Directors' quarters	**1,052**	936
— Land and buildings of third parties	**—**	40,218
— LED panels	**1,903**	111,924
Loss on disposal of property, plant and equipment	**728**	—
Amortisation of purchased programme and film rights	**5,824**	4,312
Amortisation of intangible assets	**22,342**	883
Amortisation of lease premium for land	**—**	2,962
Depreciation of property, plant and equipment	**93,420**	94,286
Depreciation of right-of-use assets	**143,346**	—

Other operating gain, net comprise the following items:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Exchange gain, net	**7,321**	38,718
Investment income	**6,626**	3,700
Fair value gain on financial assets/liabilities at fair value through profit or loss, net	**354,405**	62,250
Others, net	**4,023**	3,814
	372,375	108,482

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit for the period. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	87
— PRC and overseas taxation	**17,247**	45,182
Deferred income tax	**35,908**	(10,444)
	53,155	34,825

8 DIVIDENDS

A dividend of HK$49,935,000 that relates to the period to 31 December 2018 was paid in June 2019 (six months ended 30 June 2018: HK$49,935,000).

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9 LOSS PER SHARE

Basic

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss attributable to owners of the Company (HK$'000)	**(202,045)**	(8,660)
Weighted average number of ordinary shares in issue ('000)	**4,993,470**	4,993,470
Basic loss per share (Hong Kong cents)	**(4.05)**	(0.17)

Diluted

Diluted loss 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, ordinary shares issuable upon the restricted share units of a subsidiary (six months ended 30 June 2018: share options of the Company and a subsidiary, ordinary shares issuable upon the restricted share units of a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted (loss)/earnings per share. During the six months ended 30 June 2019, there is no impact of the dilutive instruments of the subsidiary to the Group's diluted loss per share.

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss attributable to owners of the Company used to determine diluted loss per share (HK$'000)	**(202,045)**	(8,660)
Weighted average number of ordinary shares in issue ('000)	**4,993,470**	4,993,470
Adjustment for share options of the Company ('000)	**—**	—
Weighted average number of ordinary shares for diluted loss per share ('000)	**4,993,470**	4,993,470
Diluted loss per share (Hong Kong cents)	**(4.05)**	(0.17)

10 PURCHASED PROGRAMME AND FILM RIGHTS, NET

	For the six months ended 30 June 2019 *HK$'000*	For the year ended 31 December 2018 *HK$'000* (Audited)
Balance, beginning of period/year	**10,935**	11,947
Additions	**9,146**	8,645
Amortisation	**(5,824)**	(9,306)
Others	**(208)**	(351)
Balance, end of period/year	**14,049**	10,935
Less: Purchased programme and film rights — current portion	**(108)**	(163)
	13,941	10,772

11 LEASE PREMIUM FOR LAND

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

	For the six months ended 30 June 2019 *HK$'000*	For the year ended 31 December 2018 *HK$'000* (Audited)
Balance, beginning of period/year	**198,636**	208,619
Transfer to right of use assets *(Note 27)*	**(198,636)**	—
Amortisation	**—**	(5,833)
Currency translation differences	**—**	(4,150)
Balance, end of period/year	**—**	198,636

(a) Included in the right-of-use assets as of 30 June 2019 is an amount of HK$95,553,000 (as at 31 December 2018: HK$95,995,000 in lease premium for land) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre.

(b) Included in the right-of-use assets as of 30 June 2019 is an amount of HK$12,923,000 (as at 31 December 2018: HK$13,126,000 in lease premium for land) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 30 June 2019, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate of the Shenzhen Building will be issued in the near future.

12 PROPERTY, PLANT AND EQUIPMENT, NET

	For the six months ended 30 June 2019	For the year ended 31 December 2018
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**1,045,483**	1,080,274
Acquisition of a subsidiary	**3,633**	54,772
Additions	**42,954**	131,378
Disposals	**(5,521)**	(7,442)
Depreciation	**(93,420)**	(186,379)
Currency translation differences	**7,518**	(27,120)
Balance, end of period/year *(Note a)*	**1,000,647**	1,045,483

(a) Included in the net book value as of 30 June 2019 is an amount of HK$22,334,000 (as at 31 December 2018: HK$22,684,000) which relates to the Group's entitlement to use 10,000 square metres in the Shenzhen Building. As at 30 June 2019, the cost was HK$30,848,000 (as at 31 December 2018: HK$30,848,000) with a net book value of HK$22,334,000 (as at 31 December 2018: HK$22,684,000). As at 30 June 2019, the Group was still in the process of obtaining the title certificate to the 8,500 square metres of the entitled areas through the payment of land premium and taxes (see Note 11(b)).

(b) As of 30 June 2019, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of non-compliance with laws and regulations is remote.

13 INVESTMENT PROPERTIES

	For the six months ended 30 June 2019	For the year ended 31 December 2018
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**1,512,304**	1,570,414
Acquisition of a subsidiary	**2,697**	—
Fair value (loss)/gain	**(6,847)**	7,533
Currency translation differences	**16,080**	(65,643)
Balance, end of period/year	**1,524,234**	1,512,304

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of its investment properties and has fair valued the portion of the investment property of the Phoenix International Media Centre and the investment property in London. The portion of the investment property of the Phoenix International Media Centre and the investment property in United Kingdom ("UK") were valued by Vigers Appraisal and Consulting Limited and Lambert Smith Hampton respectively, which are independent appraisers. Fair value loss of approximately HK$6,847,000 (six months ended 30 June 2018: gain of HK$59,400,000) was recognized in the condensed consolidated income statement for the six months ended 30 June 2019.

(i) ***Fair value hierarchy***

Description	**Fair value measurements at 30 June 2019 using significant unobservable inputs (Level 3)** *HK$'000*	Fair value measurements at 31 December 2018 using significant unobservable inputs (Level 3) *HK$'000*
Recurring fair value measurements		
Investment properties		
— Phoenix International Media Centre		
— The PRC	**1,506,189**	1,496,921
— Commercial — UK	**15,348**	15,383
— Others — the PRC	**2,697**	—

(ii) ***Valuation techniques***

For the investment property in UK with a carrying amount of HK$15,348,000 (as at 31 December 2018: HK$15,383,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed at least once every six months by a qualified valuer using income capitalisation approach.

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

In addition, the investment property in the PRC has a carrying value of HK$1,506,189,000 (as at 31 December 2018: HK$1,496,921,000). The fair value of this investment property is determined using the information from the valuation performed by an external professional valuer using the direct comparison method. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved.

There were no changes in valuation techniques during the six months ended 30 June 2019 (2018: None).

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

Description	**Fair value 30 June 2019** *(HK$'000)*	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Phoenix International Media Centre — The PRC	**1,506,189**	Direct comparison	Adjusted average price of HK$34,483 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial — UK	**15,348**	Income capitalization approach	Estimated rental value of HK$4,044 per annum per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7%	The higher the reversionary yield, the lower the fair value

Description	Fair value 31 December 2018 *(HK$'000)*	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre — The PRC	1,496,921	Direct comparison	Adjusted average price of HK$34,271 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial — UK	15,383	Income capitalization approach	Estimated rental value of HK$4,053 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7%	The higher the reversionary yield, the lower the fair value

(b) Deferred tax

The investment property in the PRC is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property through use. The Group has measured the deferred tax relating to the temporary differences of the investment property using the tax rate and the tax bases that are consistent with the expected manner of recovery of the investment property.

14 INTANGIBLE ASSETS

	For the six months ended 30 June 2019	For the year ended 31 December 2018
	HK$'000	*HK$'000*
		(Audited)
Balance, beginning of period/year	**190,471**	26,960
Additions	**25,482**	18,081
Acquisition of a subsidiary	**16,692**	166,678
Amortisation	**(22,342)**	(10,377)
Impairment	**—**	(10,277)
Currency translation differences	**2,099**	(594)
Balance, end of period/year	**212,402**	190,471

(a) As at 30 June 2019, goodwill arising from the acquisition of subsidiaries amounted approximately to HK$136,735,000 (as at 31 December 2018: HK$120,043,000). There was no impairment charge recognised during the six months ended 30 June 2019 (2018: Nil).

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

15 ACCOUNTS RECEIVABLE, NET

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
		(Audited)
Accounts receivable	**1,174,813**	1,056,184
Less: Provision for impairment	**(160,869)**	(137,062)
	1,013,944	919,122

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 16). The Group generally requires customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

As at 30 June 2019, the ageing analysis of accounts receivable based on the invoice dates is as follows:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* (Audited)
0-30 days	**290,195**	277,630
31-60 days	**115,958**	208,012
61-90 days	**129,557**	156,020
91-120days	**138,990**	116,490
Over 120 days	**500,113**	298,032
	1,174,813	1,056,184
Less: Provision for impairment of receivables	**(160,869)**	(137,062)
	1,013,944	919,122

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

The Group has recognised a loss of HK$42,387,000 (six months ended 30 June 2018: HK$23,948,000) for the impairment of its accounts receivable during the six months ended 30 June 2019. The loss has been included in selling, general and administrative expenses in the condensed consolidated income statement. The Group has made reversal of provision of HK$20,083,000 (six months ended 30 June 2018: HK$11,470,000) of the provision for impairment of receivables made in prior years during the six months ended 30 June 2019.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately RMB380,304,000 (HK$434,031,000) (as at 31 December 2018: RMB331,843,000 (HK$374,690,000)) owing from an advertising agent, Shenzhou Television Company Limited ("Shenzhou"), in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group.

Pursuant to a service agreement signed between Shenzhou and the Group dated 12 March 2002 and latest revised on 5 June 2015, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB380,304,000 (HK$434,031,000) as at 30 June 2019 (as at 31 December 2018: approximately RMB331,843,000 (HK$374,690,000)) is fully recoverable and no provision is required. The balance is unsecured interest-free and repayable on demand.

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

	As at 30 June 2019 ***HK$'000***	As at 31 December 2018 *HK$'000* (Audited)
Non-current assets		
Option for long term investments	**19,061**	18,909
	19,061	18,909
Current assets		
Trading equity securities	**19,782**	19,782
Convertible redeemable preferred shares	**2,592,665**	2,235,585
Structured deposits	**538,781**	1,030,227
	3,151,228	3,285,594
Current liability		
Interest rate swap contract	**—**	(855)
Non-current liability		
Cross-currency interest rate swap contract	**(3,502)**	(5,363)

As at 30 June 2019, the trading equity securities represent the shares of HSBC of HK$19,782,000 (as at 31 December 2018: HK$19,782,000) that are held for trading.

Changes in fair value of financial assets at fair value through profit or loss are recognised in "Other operating gain, net" in the condensed consolidated income statement (Note 6).

Details of convertible redeemable preferred shares are disclosed in Note 26.

18 BANKING FACILITIES

As at 30 June 2019, the Group has undrawn banking facilities of HK$14,090,000 (as at 31 December 2018: HK$136,677,000).

19 BORROWINGS

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* (Audited)
Secured bank borrowings *(Note a)*	**321,704**	825,188
Loans from non-controlling shareholders of subsidiaries *(Note b)*	**383,357**	376,507
	705,061	1,201,695

(a) Secured bank borrowings

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* (Audited)
Non-current		
Long-term secured bank borrowings	**64,649**	92,221
Current		
Current portion of long-term secured bank borrowings	**257,055**	732,967
Total secured bank borrowings	**321,704**	825,188

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* (Audited)
The secured bank borrowings are repayable as follows:		
— Within one year	**257,055**	732,967
— More than one year but not exceeding two years	**62,761**	62,090
— More than two years but not exceeding five years	**—**	28,222
— More than five years	**1,888**	1,909
Total secured bank borrowings	**321,704**	825,188

Bank borrowings of HK$119,816,000 (as at 31 December 2018: HK$141,113,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$96,000,000 (as at 31 December 2018: HK$96,000,000 in lease premium for land), HK$354,000,000 (as at 31 December 2018: HK$365,000,000) and HK$1,506,000,000 (as at 31 December 2018: HK$1,497,000,000) recorded in right-of-use asset, property, plant and equipment and investment properties respectively as at 30 June 2019. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.48% (as at 31 December 2018: 6.48%) annually.

A bank borrowing of HK$1,888,000 (as at 31 December 2018: HK$1,909,000) is secured by a property in the United States with carrying value of approximately HK$2,707,000 (as at 31 December 2018: HK$2,720,000) recorded in property, plant and equipment as at 30 June 2019. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59% (as at 31 December 2018: 3.59%) annually.

Bank borrowings of HK$200,000,000 (as at 31 December 2018: HK$682,167,000) are secured by bank deposits of HK$235,440,000 (as at 31 December 2018: HK$734,745,000) as at 30 June 2019 (Note 22).

(b) Loans from non-controlling shareholders of subsidiaries

	As at 30 June 2019 ***HK$'000***	As at 31 December 2018 *HK$'000* (Audited)
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**233,907**	235,428
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**149,450**	141,079
Total loans from non-controlling shareholders of subsidiaries	**383,357**	376,507

	As at 30 June 2019 ***HK$'000***	As at 31 December 2018 *HK$'000* (Audited)
The loans from non-controlling shareholders of subsidiaries are repayable as follows:		
— Within one year	**149,450**	141,079
— More than one year but not exceeding two years	**196,649**	78,889
— More than two years but not exceeding five years	**14,436**	133,961
— More than five years	**22,822**	22,578
	383,357	376,507

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (as at 31 December 2018: same).

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

	Group			
	Carrying amount		**Fair value**	
	As at 30 June 2019	As at 31 December 2018	**As at 30 June 2019**	As at 31 December 2018
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Secured bank borrowings	**321,704**	825,188	**321,704**	825,188
Loans from non-controlling shareholders of subsidiaries	**383,357**	376,507	**366,149**	350,390
	705,061	1,201,695	**687,853**	1,175,578

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.48% (as at 31 December 2018: 6.48%) and are within level 2 of the fair value hierarchy.

20 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000* (Audited)
Accounts payable	**327,405**	391,350
Other payables and accruals	**1,835,271**	932,775
	2,162,676	1,324,125

As at 30 June 2019, the ageing analysis of accounts payable based on its invoice dates is set out below:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000* (Audited)
0-30 days	**68,997**	237,882
31-60 days	**29,122**	13,986
61-90 days	**19,251**	18,973
91-120 days	**35,111**	11,663
Over 120 days	**174,924**	108,846
	327,405	391,350

21 SHARE CAPITAL

	Six months ended 30 June 2019		Year ended 31 December 2018	
	Number of Shares	**Amount**	Number of Shares	Amount
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Authorised:				
Ordinary share of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 January	**4,993,469,500**	**499,347**	4,993,469,500	499,347
Exercise of share options	**—**	**—**	—	—
End of period/year	**4,993,469,500**	**499,347**	4,993,469,500	499,347

22 PLEDGED BANK DEPOSITS

As at 30 June 2019, a bank deposits of approximately HK$235,440,000 (as at 31 December 2018: two bank deposits of approximately HK$434,909,000) bearing fixed interest rates 3.59% (as at 31 December 2018: ranging from 1.8% to 3.59%) per annum, was pledged to a bank to secure a bank borrowings of approximately HK$200,000,000 (as at 31 December 2018: two bank borrowings of approximately HK$380,000,000) (Note 19(a)). The bank borrowings bear interests ranging from HIBOR plus 0.45% per annum (as at 31 December 2018: HIBOR plus 0.45% per annum). The Group has entered into interest rate swap contract with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation 3.38% per annum (as at 31 December 2018: 1.66% to 3.38% per annum). The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 30 June 2019, the fair values of the outstanding interest swap contract of HK$3,502,000 (as at 31 December 2018: HK$5,363,000 and HK$855,000) have been recorded as financial liabilities at fair value through profit or loss under non-current liabilities in the condensed consolidated balance sheet (Notes 17).

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

23 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the six months ended 30 June 2019, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 54.51% to 54.49%. The Group recognised a deemed net loss of approximately HK$355,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$3,763,000.

During the six months ended 30 June 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 54.53%. The Group recognized 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$14,499,000.

24 COMMITMENTS

As at 30 June 2019, the Group had capital commitments as follows:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000* (Audited)
Contracted but not provided for	**49,947**	42,908

25 RELATED PARTY TRANSACTIONS

(i) The Group had the following significant transactions with the related parties as defined in HKAS 24 — Related Party Disclosures:

		For the six months ended 30 June	
	Note	**2019** *HK$'000*	2018 *HK$'000*
Service charges received/receivable from China Mobile Communications Group Co., Ltd. and its subsidiaries (the "CMCC Group")	*a, b*	**43,817**	64,387
Service charges paid/payable to the CMCC Group	*a, c*	**8,594**	37,514
Advertising sales to the CMCC Group	*a, d*	**5,004**	11,475
License fee received/receivable from 鳳金科技(海口)集團有限公司 (Formerly known as 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co. Ltd.)) ("Fengjin")	*e, f*	**—**	15
Advertising sales to Fengjin	*e, g*	**—**	13
Key management compensation	*iii*	**14,998**	15,230

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns approximately 19.69% of the issued share capital of the Company.

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

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

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

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

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

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

(ii) Period/year end balances arising from related parties transactions as disclosed in Note 25(i) above were as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000 (Audited)
Amounts due from related companies	**73,359**	90,834

The amount due from related companies are unsecured, non-interest bearing and repayable on demand. Other receivables from related parties are repayable in accordance with credit terms. As at 30 June 2019, the ageing analysis of the amounts due from related companies is as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000 (Audited)
Amounts due from related companies		
0 - 90 days	**37,831**	42,590
91 - 120 days	**7,887**	7,098
over 120 days	**27,641**	41,146
	73,359	90,834

(iii) Key management compensation

	For the six months ended 30 June 2019 HK$'000	2018 HK$'000
Salaries	**10,373**	10,635
Quarters and housing allowance	**3,783**	3,743
Pension fund	**842**	852
	14,998	15,230

26 INVESTMENTS IN AND LOAN TO PARTICLE INC.

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").

On 22 January 2018, the term of the loan of RMB74,000,000 was extended for six months and the loan and interest were 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 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).

On 31 May 2019, PNM sent a completion confirmation letter to the Run Liang Tai to confirm the satisfaction of all of the conditions as specified in the Share Purchase Agreement. Run Liang Tai, however, disputed on the satisfaction of certain conditions.

On 23 July 2019, PNM and Run Liang Tai entered into a supplemental agreement (the "Supplemental Agreement"). The key terms of the Supplemental Agreement, amongst other things, are: (i) to adjust the amount of Offshore Sale Shares to an aggregate of 212,358,165 shares of Particle Inc.; and (ii) to complete the transaction in two stages on or before 10 August 2020. For details of the Supplemental Agreement, please refer the announcement of the Company dated 25 July 2019.

The Valuer adopted the discounted cash flow method and market approach to calculate the enterprise value of Particle at 30 June 2019. Accordingly, the fair values of the investments in Series B, C and D1 Preferred Shares have increased from HK$2,235,600,000 at 31 December 2018 to HK$2,592,665,000 at 30 June 2019 and a fair value gain of HK$351,740,000 was recognised in the condensed consolidated income statement.

27 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group adopted HKFRS 16 using the modified retrospective approach where the cumulative impact of the adoption is recognized in the opening balance of retained earnings as at 1 January 2019 and that comparatives had not been restated. The new accounting policies and the adjustments to the condensed consolidated interim financial information are set out below.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were from 1.55% to 5.88%.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**858,103**
Other commitment reassessed as lease	**89,229**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**781,256**
(Less): short-term leases recognised on a straight-line basis as expense	**(4,776)**
(Less): low-value leases recognised on a straight-line basis as expense	**(87)**
Lease liability recognised as at 1 January 2019	**776,393**
Of which are:	
Current lease liabilities	**133,933**
Non-current lease liabilities	**642,460**
	776,393

The associated right-of-use assets for leases in PRC were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	**1 January 2019**
	HK$'000	***HK$'000***
Properties	**105,289**	105,037
Land	**196,821**	198,636
Equipment	**74**	95
LED screen	**549,937**	559,592
Radio Channel and facility	**71,560**	77,707
Total right-of-use assets	**923,681**	941,067

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

As at 1 January 2019	As previously stated	Effect of adoption of HKFRS 16	Restated
	HK$'000	*HK$'000*	*HK$'000*
Right-of-use assets (Non-current)	—	941,067	941,067
Lease premium for land	198,636	(198,636)	—
Prepayments, deposits and other receivables	858,652	(36,482)	822,170
Lease liability — due within one year	—	133,933	133,933
Lease liability — due after one year	—	642,460	642,460
Retained profits	5,478,929	(32,409)	5,446,520
Non-controlling interests	2,257,223	(38,035)	2,219,188

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various lands and offices, equipment, LED screens, and radio channel. Rental contracts, except for lease premium for land, are typically made for fixed periods of 2 to 10 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at either: (i) its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(i) Extension and termination options

Termination option is included in radio channel lease. This terms is used to maximise operational flexibility in terms of managing contracts. The termination option held is exercisable only by the Group and not by the respective lessor. The Group can terminate the lease in 5 years by paying liquidated amount stipulated in lease agreement.

28 ACQUISITION OF A SUBSIDIARY

On 1 April 2019, PNM announced that it regained control over Tianbo, a previously held joint venture, and consolidated the financial statements of Tianbo as a subsidiary through certain revisions to the articles of association of Tianbo. Accordingly, the investment in Tianbo has been accounted for as "step acquisition" under HKFRS 3 "Business Combination" since 1 April 2019 (the "acquisition date"). Consequently, all the identifiable net assets of Tianbo was measured at fair value and consolidated in the Group's financial statements and a goodwill of approximately HK$16,692,000 was recognized as an intangible asset in the Group's financial statements. Tianbo is principally engaged in exclusive operation of the real estate channel and exclusive sales of real estate advertisements on PNM's website ifeng.com.

Consideration transferred

	HK$'000
Fair value of consideration in form of advertising resources	6,866
Fair value of PNM previously held equity interest	19,798
Non-contolling interest	11,732
	38,396

The following table summarises the consideration, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Bank balances	204,233
Accounts receivable, net	136,552
Property, plant and equipment	3,633
Accounts payable	(52,658)
Other payables	(209,922)
Other liabilities, net	(60,134)
	21,704
Consideration transferred	38,396
Less: net assets acquired	(21,704)
Goodwill arising on step acquisition	16,692

By Order of the Board
Liu Changle
Chairman

Hong Kong, 16 August 2019

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

Executive Directors
Mr. Liu Changle (Chairman) (also an alternate director to Mr. Chui Keung), Mr. Chui Keung (also an alternate director to Mr. Liu Changle) and Mr. Wang Ji Yan (also an alternate director to Mr. Liu Changle and Mr. Chui Keung)

Non-executive Directors
Mr. Jian Qin, Mr. Zhang Dong, Mr. Gong Jianzhong and Mr. Sun Qiang Chang

Independent Non-executive Directors
Mr. Leung Hok Lim, Mr. Thaddeus Thomas Beczak, Mr. Fang Fenglei and Mr. He Di