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鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02008)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (“Board”) of Phoenix Satellite Television Holdings Limited (“Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (“Group” or “Phoenix”) for the six months ended 30 June 2012 (“Period”).

CHAIRMAN’S STATEMENT

FINANCIAL SUMMARY

- Revenue for the six-month period ended 30 June 2012 was approximately HK\$1,991,788,000, which represented an increase of 29.3% over the same period last year.
- Operating profit for the six-month period ended 30 June 2012 was approximately HK\$469,121,000, which represented an increase of 65.7% over the same period last year.
- Profit attributable to owners of the Company was approximately HK\$354,320,000.

RESULTS

The revenue of the Group for the six months ended 30 June 2012 was approximately HK\$1,991,788,000, which represented a 29.3% growth over the same period last year. Operating costs increased by 21.1% to approximately HK\$1,522,667,000. The upward movement in operating costs was mainly due to the expansion of the new media and the outdoor media businesses.

The operating profit of the Group for the six months ended 30 June 2012 was approximately HK\$469,121,000, which represented an increase of 65.7% over the same period last year. The main drivers behind this result were the growth in the businesses of television broadcasting, new media and outdoor media.

Fair value gains of approximately HK\$4,340,000 (six months ended 30 June 2011: HK\$140,365,000) and HK\$103,000 (six months ended 30 June 2011: Nil) were recognised for the investment property under construction in Beijing and the investment property in London respectively.

The profit attributable to owners of the Company was approximately HK\$354,320,000.

The chart below summarises the performance of the Group for the six months ended 30 June 2012 and the same period in 2011.

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Television broadcasting	1,096,939	891,883
New media	650,046	472,195
Outdoor media	208,748	143,486
Real estate	282	–
Other businesses	35,773	32,583
Group's total revenue	1,991,788	1,540,147
Operating costs	(1,522,667)	(1,256,971)
Profit from operations	469,121	283,176
Non-cash fair value loss and interest accretion of Preferred Shares	–	(964,713)
Fair value gains on investment properties	4,443	140,365
Other income, net	33,305	24,763
Profit/(loss) before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	506,869	(516,409)
Share of results of jointly controlled entities and an associate	(2,633)	(2,037)
Income tax expense	(104,084)	(112,269)
Profit/(loss) for the period	400,152	(630,715)
Non-controlling interests	(45,832)	90,741
Profit/(loss) attributable to owners of the Company	354,320	(539,974)
Basic earnings/(losses) per share, Hong Kong cents	7.10	(10.82)

BUSINESS OVERVIEW AND PROSPECTS

The Group has performed well over the first six months of 2012. This performance underscores that the Group's business strategy is sound in developing new areas of business such as new media and outdoor media while its fundamental television broadcasting business remains profitable.

Over this half-year period, Phoenix reporting has followed the international response to the European financial crisis, including the attempts of the European Union to devise a set of policies that will help resolve the financial crisis in Greece, the rising regional tensions over the Diaoyu Islands and the competing territorial claims in the South China Sea. While Phoenix has been unable to secure access for its reporters to enter Syrian territory and report first-hand on the growing violence there, it has continued to monitor and report on developments there from neighbouring countries. Phoenix has also provided extensive coverage of the presidential elections in Taiwan and Russia, as well as the process of electing the new Chief Executive in the Hong Kong Special Administrative Region ("Hong Kong"). Besides, the comprehensive coverage of international developments, the television channels of the Group have also continued to provide a steady stream of entertainment programmes, interviews with a wide range of celebrities and other prominent figures, and features on art, cooking and fashion.

The international status of the Group was clearly demonstrated in April this year when it acted as the host for the International Academy Day, an annual event that the International Academy of Television Arts and Sciences holds in a different global city each year. On this occasion 65 television, film and media executives from the Americas, Europe, Africa, the Middle East and the Asia-Pacific attended a four-day event in Hong Kong and Shenzhen organised by Phoenix, and met with senior officials in both Hong Kong and Shenzhen.

The television broadcasting business of the Group has also benefited from the rapid growth in the audience that has been developed by the new media business, which provides wide-spread access to much Phoenix television programming and at the same time attracts many viewers as a consequence of its own distinctive material. The outdoor media business of the Group is also beginning to perform well as economic growth in the major cities of China increases the requirement for large-scale outdoor advertising.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

	Six months ended 30 June			
	2012		2011	
	Revenue <i>HK\$'000</i>	Segment result <i>HK\$'000</i>	Revenue <i>HK\$'000</i>	Segment result <i>HK\$'000</i>
Television broadcasting	1,096,939	540,359	891,883	402,089
New media	650,046	90,449	472,195	(940,081)*
Outdoor media	208,748	24,338	143,486	(2,359)
Real estate	282	(1,998)	–	136,663
Other businesses	35,773	170	32,583	3,316
Group's total revenue and segment results	<u>1,991,788</u>	<u>653,318</u>	<u>1,540,147</u>	<u>(400,372)</u>
Unallocated income		10,310		19,521
Unallocated expenses		<u>(156,759)</u>		<u>(135,558)</u>
Profit/(loss) before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		<u>506,869</u>		<u>(516,409)</u>

* The segmental loss of new media for the six months ended 30 June 2011 was a consequence of the deduction of interest accretion and changes in fair value of the preference share liability of approximately HK\$964,713,000.

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 55.1% of the total revenue of the Group for the six months ended 30 June 2012, increased by 23.0% to approximately HK\$1,096,939,000 (six months ended 30 June 2011: HK\$891,883,000). The segmental result for television broadcasting recorded a profit of approximately HK\$540,359,000 for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$402,089,000).

Phoenix Chinese Channel and Phoenix InfoNews Channel accounted for 50.6% of the total revenue of the Group for the six months ended 30 June 2012 and showed an increase of 24.7% to approximately HK\$1,007,572,000 (six months ended 30 June 2011: HK\$808,238,000).

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 by 6.8% as compared to the same period last year to approximately HK\$89,367,000 (six months ended 30 June 2011: HK\$83,645,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contributed to raising the profile of the Group as a television broadcaster. The revenue of the new media business for the six months ended 30 June 2012 increased by 37.7% to HK\$650,046,000 (six months ended 30 June 2011: HK\$472,195,000). The segmental profit was HK\$90,449,000 (six months ended 30 June 2011 after deduction of interest accretion and changes in fair value of the preference share liability: loss of HK\$940,081,000). The profit from operations, which represents profit before tax, and other income and expenses increased to HK\$72,518,000 (six months ended 30 June 2011 also before interest expense and changes in fair value of preference share liability: HK\$24,632,000).

The revenue of outdoor media business increased by 45.5% to approximately HK\$208,748,000 (six months ended 30 June 2011: HK\$143,486,000). The segmental profit of outdoor media business was approximately HK\$24,338,000 (six months ended 30 June 2011 after deduction of share-based compensation expense of approximately HK\$25,714,000: loss of HK\$2,359,000).

The segmental result for real estate included the fair value gains of approximately HK\$4,443,000 (six months ended 30 June 2011: HK\$140,365,000) which were 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 “Business Overview and Prospects” in this announcement for commentary on the core business of the Group.

DIVIDENDS

The directors of the Company (“Director(s)”) do not recommend payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

A special dividend of 3.8 Hong Kong cents per ordinary share of the Company (“Shares”) was paid on 20 September 2011.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2012 remained solid as recurring cash flows from the businesses of the Group continued to remain steady and strong. As at 30 June 2012, the Group had cash and cash deposits totaling about HK\$2,837,401,000 (as at 31 December 2011: HK\$2,624,482,000). The aggregate outstanding borrowings of the Group were approximately HK\$766,078,000 (as at 31 December 2011: HK\$480,117,000), representing amounts due to related companies which were unsecured and non-interest bearing, unsecured and non-interest bearing loans from non-controlling shareholders of a subsidiary and secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 50.0% as at 30 June 2012 (as at 31 December 2011: 36.6%). The net debt to equity ratio, based on total liabilities less cash and cash equivalents to equity attributable to owners of the Company as at 30 June 2012 was 9.5%. The net cash and cash equivalents balance after deduction of the total liabilities was HK\$239,540,000 as at 31 December 2011.

Save as disclosed above, the financial position of the Group remained liquid. As most of the monetary assets of the Group are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and New Taiwan dollars, the exchange rate risks of the Group are considered to be minimal.

CHARGE ON ASSETS

As at 30 June 2012, deposits of approximately HK\$3,140,000 (as at 31 December 2011: HK\$3,124,000) were pledged with banks to secure banking guarantees given to the landlord of a subsidiary. The land in Chaoyang Park, Beijing together with development site, with carrying value of approximately HK\$116,000,000, HK\$261,000,000 and HK\$766,000,000 (as at 31 December 2011: HK\$117,000,000, HK\$203,000,000 and HK\$676,000,000) recorded in lease premium for land, construction in progress and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the Group did not have any other charges on its assets as at 30 June 2012 and 31 December 2011.

CAPITAL STRUCTURE

During the six months ended 30 June 2012, other than the exercise of share options granted, there was no change in the share capital of the Company. As at 30 June 2012, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of a subsidiary and banking facilities.

STAFF

As at 30 June 2012, the Group employed 2,677 full-time staff (as at 31 December 2011: 2,529) at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the six months ended 30 June 2012 increased to approximately HK\$455,620,000 (six months ended 30 June 2011: HK\$432,772,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to any disruption of normal business operations. The Directors consider the Group's relationship with its employees to be good.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2012, the Group invested in listed security investments with an estimated fair market value of approximately HK\$20,926,000 (as at 31 December 2011: HK\$18,011,000). Save as disclosed above, the Group had not held any other significant investment for the six months ended 30 June 2012.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group is currently considering a possible spin-off and separate listing of Phoenix Metropolis Media Technology Company Limited[#] (formerly know as Phoenix Metropolis Media (Beijing) Company Limited), a subsidiary engaged in the outdoor media business in China. For details, please refer to the announcement of the Company published on 1 November 2011.

The Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing businesses. As at 30 June 2012, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any Shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the six months ended 30 June 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”)) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such Directors or chief executives were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in the Shares and underlying Shares of the Company

(A) Ordinary Shares of the Company

Name of Director	Number of ordinary Shares held			Position	Approximate shareholding percentage
	Personal/ other interests	Corporate interests	Total number of Shares		
LIU Changle (<i>Note 2</i>)	2,688,000	1,854,000,000	1,856,688,000	Long	37.18%
LO Ka Shui (<i>Note 3</i>)	9,756,000	–	9,756,000	Long	0.19%

Notes:

1. As at 30 June 2012, the number of issued shares of the Company was 4,993,585,500.
2. As at 30 June 2012, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.13% of the issued share capital of the Company.
3. As at 30 June 2012, Dr. LO Ka Shui was the beneficial owner of 2,500,000 Shares while 7,256,000 Shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

(B) *Share options granted to the Directors pursuant to the New Share Option Scheme adopted by the Company on 19 June 2009 (all dates are shown as year.month.day):*

Name of Director	Date of grant	Exercise period	Exercise price per Share (HK\$)	Underlying Shares pursuant to the share options as at 30 June 2012
LIU Changle	2011.03.09	2012.03.09 to 2021.03.08	2.92	4,900,000
CHUI Keung	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000
WANG Ji Yan	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000

(II) Long position in the shares and underlying shares of an associated corporation of the Company

Phoenix New Media Limited (“PNM”)

Name of Director	Number of PNM Shares held			Position	Approximate shareholding percentage
	Personal/ other interests	Corporate interests	Total interest		
LIU Changle (<i>Note 3</i>)	–	1,483,200	1,483,200	Long	0.47%
LO Ka Shui	727,800	–	727,800	Long	0.22%

Notes:

- As at 30 June 2012, the number of the issued Class A ordinary shares of PNM (“PNM Shares”) was 318,501,077.
- PNM is an indirect non-wholly owned subsidiary of the Company.
- As at 30 June 2012, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today’s Asia Limited, which in turn had an interest in approximately 0.47% of the PNM Shares.

Save as disclosed above, so far as the Directors are aware, as at 30 June 2012, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(I) Share option schemes of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company (“Shareholders”), namely Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, for employees of the Group to acquire Shares. The Pre-IPO Share Option Scheme expired on 13 June 2010.

On 19 June 2009, a share option scheme of the Company was approved by the Shareholders (“New Share Option Scheme”).

(A) Post-IPO Share Option Scheme

The details and movements of the Post-IPO Share Option Scheme during the Period are as follows (all dates are shown as year.month.day):

Type and number of grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share (HK\$)	Number of share options			Balance as at 30 June 2012
					Balance as at 1 January 2012	Lapsed during the Period	Exercised during the Period	
1 employee	2002.12.20	2002.12.20 to 2006.12.19	2003.12.20 to 2012.12.19	0.79	600,000	-	(600,000)	-
20 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	6,470,000	-	-	6,470,000
Total:					<u>7,070,000</u>	<u>-</u>	<u>(600,000)</u>	<u>6,470,000</u>

During the Period, 600,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average market price was HK\$2.89.

Save as disclosed above, no option was granted, lapsed, exercised or cancelled during the Period. No option was granted to the Directors, chief executives or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Post-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the Post-IPO Share Option Scheme.

(B) *New Share Option Scheme*

The details and movements of the New Share Option Scheme during the Period are as follows (all dates are shown as year.month.day):

Type and number of grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share (HK\$)	Number of share options			Balance as at 30 June 2012
					Balance as at 1 January 2012	Lapsed during the Period	Exercised during the Period	
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	4,048,000	-	-	4,048,000
3 Executive Directors								
LIU Changle	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	4,900,000	-	-	4,900,000
CHUI Keung	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	-	-	3,900,000
WANG Ji Yan	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	-	-	3,900,000
563 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	90,000,000	(490,000)	-	89,510,000
6 employees	2011.06.28	2011.06.28 to 2015.06.27	2012.06.28 to 2021.06.27	3.06	2,790,000	-	-	2,790,000
Total:					<u>109,538,000</u>	<u>(490,000)</u>	<u>-</u>	<u>109,048,000</u>

During the Period, 490,000 options granted to 11 employees were lapsed when they ceased employment with the Group.

Save as disclosed above, no option was granted, lapsed, exercised or cancelled during the Period. No option was granted to the Directors, chief executives or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the New Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the New Share Option Scheme.

(II) Share option schemes of the subsidiaries of the Company

(A) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme of PNM (“PNM Share Option Scheme”) to grant share options to any executive, employee or director of PNM or any affiliate to acquire PNM Shares.

The details and movements of the PNM Share Option Scheme during the Period are as follows (all dates are shown as year.month.day):

Type of grantees	Date of grant	Exercise period	Exercise price per share (US\$)	Number of share options					Balance as at 30 June 2012
				Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	
Employees	2008.07.04	2008.07.04-2018.05.25	\$0.03215	11,357,425	-	-	-	(2,450,225)	8,907,200
	2008.07.04	2008.07.09-2018.05.25	\$0.03215	6,000	-	-	-	-	6,000
	2008.07.04	2008.07.24-2018.05.25	\$0.03215	30,000	-	-	-	(6,000)	24,000
	2008.07.04	2008.07.31-2018.05.25	\$0.03215	1,200	-	-	-	-	1,200
	2008.07.04	2008.08.13-2018.05.25	\$0.03215	6,000	-	-	-	-	6,000
	2008.07.04	2008.08.20-2018.05.25	\$0.03215	17,625	-	-	-	(5,625)	12,000
	2008.07.04	2008.08.28-2018.05.25	\$0.03215	3,375	-	-	-	-	3,375
	2008.07.04	2008.09.03-2018.05.25	\$0.03215	15,000	-	-	-	-	15,000
	2008.07.04	2008.09.04-2018.05.25	\$0.03215	32,000	-	-	-	(32,000)	-
	2008.07.04	2008.09.06-2018.05.25	\$0.03215	3,600	-	-	-	(3,600)	-
	2008.07.04	2008.09.13-2018.05.25	\$0.03215	3,375	-	-	-	(3,375)	-
	2008.07.04	2008.09.17-2018.05.25	\$0.03215	39,000	-	-	-	(22,500)	16,500
	2008.07.04	2008.09.24-2018.05.25	\$0.03215	24,000	-	-	-	(24,000)	-
	2008.07.04	2008.10.08-2018.05.25	\$0.03215	20,000	-	-	-	-	20,000
	2008.07.04	2008.10.10-2018.05.25	\$0.03215	4,500	-	-	-	-	4,500
	2008.07.04	2008.10.22-2018.05.25	\$0.03215	24,000	-	-	-	-	24,000
	2008.07.04	2008.10.23-2018.05.25	\$0.03215	12,375	-	-	-	(5,625)	6,750
	2008.07.04	2008.10.24-2018.05.25	\$0.03215	24,000	-	-	-	-	24,000
	2008.07.04	2008.11.19-2018.05.25	\$0.03215	30,000	-	-	-	(30,000)	-
	2008.07.04	2008.12.03-2018.05.25	\$0.03215	22,000	-	-	-	(16,000)	6,000
	2008.07.04	2008.12.12-2018.05.25	\$0.03215	6,000	-	-	-	-	6,000
	2008.07.04	2008.12.17-2018.05.25	\$0.03215	12,000	-	-	-	-	12,000
	2008.07.04	2008.12.24-2018.05.25	\$0.03215	3,750	-	-	-	-	3,750
	2008.07.04	2008.12.26-2018.05.25	\$0.03215	16,687	-	-	-	-	16,687
	2008.07.04	2008.12.29-2018.05.25	\$0.03215	150,000	-	-	-	-	150,000
	2008.07.04	2009.01.02-2018.05.25	\$0.03215	87,500	-	-	-	(87,500)	-
	2008.07.04	2009.01.15-2018.05.25	\$0.03215	439,504	-	-	-	-	439,504
	2008.07.04	2009.02.14-2018.05.25	\$0.03215	94,250	-	-	-	(94,250)	-
	2008.07.04	2009.02.15-2018.05.25	\$0.03215	19,500	-	-	-	(19,500)	-
	2008.07.04	2009.02.25-2018.05.25	\$0.03215	9,000	-	-	-	(6,000)	3,000
	2008.07.04	2009.02.26-2018.05.25	\$0.03215	9,375	-	-	-	-	9,375
	2008.07.04	2009.02.29-2018.05.25	\$0.03215	2,625	-	-	-	(2,625)	-
	2008.07.04	2009.03.03-2018.05.25	\$0.03215	3,375	-	-	-	(3,375)	-
	2008.07.04	2009.03.10-2018.05.25	\$0.03215	47,743	-	-	-	(4,496)	43,247
	2008.07.04	2009.03.17-2018.05.25	\$0.03215	12,225	-	-	-	(9,750)	2,475
	2008.07.04	2009.03.19-2018.05.25	\$0.03215	28,000	-	-	-	(28,000)	-

Type of grantees	Date of grant	Exercise period	Exercise price per share (US\$)	Number of share options					Balance as at 30 June 2012
				Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	
				Employees	2008.07.04	2009.03.21-2018.05.25	\$0.03215	12,376	
	2008.07.04	2009.03.24-2018.05.25	\$0.03215	22,625	-	-	-	(2,625)	20,000
	2008.07.04	2009.03.25-2018.05.25	\$0.03215	13,750	-	-	-	-	13,750
	2008.07.04	2009.03.31-2018.05.25	\$0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.04.01-2018.05.25	\$0.03215	450	-	-	-	-	450
	2008.07.04	2009.04.02-2018.05.25	\$0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.04.07-2018.05.25	\$0.03215	6,750	-	-	-	-	6,750
	2008.07.04	2009.04.09-2018.05.25	\$0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.04.15-2018.05.25	\$0.03215	4,000	-	-	-	-	4,000
	2008.07.04	2009.04.21-2018.05.25	\$0.03215	1,200	-	(150)	-	-	1,050
	2008.07.04	2009.04.23-2018.05.25	\$0.03215	4,875	-	-	-	(4,875)	-
	2008.07.04	2009.04.28-2018.05.25	\$0.03215	6,000	-	-	-	-	6,000
	2008.07.04	2009.05.04-2018.05.25	\$0.03215	7,562	-	-	-	(7,562)	-
	2008.07.04	2009.05.12-2018.05.25	\$0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.05.19-2018.05.25	\$0.03215	21,563	-	-	-	(4,875)	16,688
	2008.07.04	2009.05.23-2018.05.25	\$0.03215	3,000	-	-	-	-	3,000
	2008.07.04	2009.05.26-2018.05.25	\$0.03215	347,987	-	-	-	(144,000)	203,987
	2008.11.26	2009.11.26-2018.05.25	\$0.03215	400,000	-	(100,000)	-	(300,000)	-
	2009.07.31	2009.07.31-2018.05.25	\$0.03215	55,200	-	(18,750)	-	(36,000)	450
	2009.07.31	2010.01.04-2018.05.25	\$0.03215	781,250	-	-	-	-	781,250
	2009.07.31	2010.02.11-2018.05.25	\$0.03215	32,000	-	(6,000)	-	-	26,000
	2009.07.31	2010.02.13-2018.05.25	\$0.03215	32,000	-	-	-	-	32,000
	2009.07.31	2010.02.16-2018.05.25	\$0.03215	100,000	-	-	-	-	100,000
	2009.07.31	2010.03.11-2018.05.25	\$0.03215	32,000	-	-	-	-	32,000
	2009.07.31	2010.03.16-2018.05.25	\$0.03215	16,000	-	-	-	-	16,000
	2009.07.31	2010.03.17-2018.05.25	\$0.03215	32,000	-	-	-	-	32,000
	2009.07.31	2010.04.27-2018.05.25	\$0.03215	5,250	-	-	-	-	5,250
	2009.07.31	2010.05.08-2018.05.25	\$0.03215	50,312	-	(10,938)	-	-	39,374
	2009.07.31	2010.05.18-2018.05.25	\$0.03215	100,625	-	-	-	-	100,625
	2009.07.31	2010.05.25-2018.05.25	\$0.03215	19,687	-	-	-	(19,687)	-
	2009.07.31	2010.06.22-2018.05.25	\$0.03215	168,000	-	-	-	-	168,000
	2009.07.31	2010.07.01-2018.05.25	\$0.03215	9,000	-	-	-	-	9,000
	2009.07.31	2010.07.10-2018.05.25	\$0.03215	165,600	-	-	-	-	165,600
	2009.07.31	2010.07.15-2018.05.25	\$0.03215	402,500	-	-	-	(276,718)	125,782
	2009.07.31	2010.07.25-2018.05.25	\$0.03215	24,000	-	(9,000)	-	(15,000)	-
	2009.09.15	2010.09.15-2018.05.25	\$0.03215	2,069,100	-	(117,125)	-	(287,322)	1,664,653
	2010.01.08	2011.01.08-2018.05.25	\$0.03215	104,400	-	-	-	-	104,400
	2010.07.01	2008.03.05-2018.05.25	\$0.03215	175,000	-	-	-	-	175,000
	2010.07.01	2008.03.17-2018.05.25	\$0.03215	100,000	-	-	-	-	100,000
	2010.07.01	2009.09.22-2018.05.25	\$0.03215	30,000	-	-	-	-	30,000
	2010.07.01	2010.06.22-2018.05.25	\$0.03215	10,000	-	-	-	-	10,000
	2010.07.01	2010.09.15-2018.05.25	\$0.03215	26,000	-	-	-	-	26,000
	2010.07.01	2010.10.09-2018.05.25	\$0.03215	5,000	-	-	-	-	5,000
	2010.07.01	2011.02.21-2018.05.25	\$0.03215	300,000	-	-	-	-	300,000
	2010.07.01	2011.06.07-2018.05.25	\$0.03215	93,750	-	-	-	-	93,750
	2010.07.01	2011.07.01-2018.05.25	\$0.03215	921,875	-	(22,500)	-	(5,000)	894,375
Total:				19,341,696	-	(284,463)	-	(3,958,486)	15,098,747

(B) *PNM March 2011 Scheme*

On 15 March 2011, PNM adopted the restricted share unit (“RSU”) and restricted share (“RS”) scheme (“PNM March 2011 Scheme”) to grant RSUs or RSs to the executives, employees or directors of PNM or its affiliates.

The details and movements of RSUs granted under the PNM March 2011 Scheme during the Period are as follows (all dates are shown as year.month.day):

Type of grantees	Date of grant	Vesting commence date	Number of RSUs				Balance as at 30 June 2012
			Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Vested during the Period	
Employees	2011.03.17	2009.04.01	1,826,035	–	(113,113)	(596,895)	1,116,027
	2011.03.17	2009.04.02	563	–	–	(188)	375
	2011.03.17	2009.04.03	563	–	–	(188)	375
	2011.03.17	2009.04.10	375	–	–	(125)	250
	2011.03.17	2009.04.13	375	–	–	(125)	250
	2011.03.17	2009.04.17	15,600	–	–	(5,200)	10,400
	2011.03.17	2009.04.23	3,750	–	–	(1,250)	2,500
	2011.03.17	2009.04.24	4,313	–	–	(1,438)	2,875
	2011.03.17	2009.04.27	563	–	–	(188)	375
	2011.03.17	2009.05.04	1,875	–	–	(625)	1,250
	2011.03.17	2009.05.07	563	–	–	(188)	375
	2011.03.17	2009.05.08	24,375	–	(5,625)	(6,250)	12,500
	2011.03.17	2009.05.15	563	–	(563)	–	–
	2011.03.17	2009.05.22	2,250	–	–	(750)	1,500
	2011.03.17	2009.06.01	375	–	–	(125)	250
	2011.03.17	2009.06.15	188	–	(188)	–	–
	2011.03.17	2009.06.21	3,000	–	–	(1,000)	2,000
	2011.03.17	2009.06.22	11,250	–	–	(3,750)	7,500
	2011.03.17	2009.06.26	2,250	–	–	(750)	1,500
	2011.03.17	2009.06.29	3,750	–	–	(1,250)	2,500
	2011.03.17	2009.07.02	10,000	–	–	(2,500)	7,500
	2011.03.17	2009.07.03	750	–	(563)	(187)	–
	2011.03.17	2009.07.06	500	–	(375)	(125)	–
	2011.03.17	2009.07.07	750	–	–	(187)	563
	2011.03.17	2009.07.10	2,500	–	–	(625)	1,875
	2011.03.17	2009.07.16	5,250	–	(188)	(1,312)	3,750
	2011.03.17	2009.07.20	250	–	–	(62)	188
	2011.03.17	2009.07.21	750	–	–	(187)	563
	2011.03.17	2009.07.23	25,000	–	–	(6,250)	18,750
	2011.03.17	2009.07.24	10,000	–	(7,500)	(2,500)	–
	2011.03.17	2009.07.27	250	–	–	(62)	188
	2011.03.17	2009.07.29	250	–	–	(62)	188
	2011.03.17	2009.08.03	500	–	–	(125)	375
	2011.03.17	2009.08.07	5,000	–	–	(1,250)	3,750
	2011.03.17	2009.08.10	500	–	–	(124)	376
	2011.03.17	2009.08.12	5,000	–	–	(1,250)	3,750
	2011.03.17	2009.08.14	750	–	(563)	(187)	–
	2011.03.17	2009.08.21	750	–	–	(187)	563
	2011.03.17	2009.08.31	10,000	–	(7,500)	(2,500)	–

Type of grantees	Date of grant	Vesting commence date	Number of RSUs				Balance as at 30 June 2012
			Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Vested during the Period	
Employees	2011.03.17	2009.09.01	250	-	-	(62)	188
	2011.03.17	2009.09.04	8,000	-	-	(2,000)	6,000
	2011.03.17	2009.09.07	1,000	-	(500)	(125)	375
	2011.03.17	2009.09.08	25,000	-	(18,750)	(6,250)	-
	2011.03.17	2009.09.09	15,000	-	(11,250)	(3,750)	-
	2011.03.17	2009.09.18	10,750	-	-	(2,687)	8,063
	2011.03.17	2009.09.23	25,000	-	-	(6,250)	18,750
	2011.03.17	2009.10.09	20,750	-	-	(5,187)	15,563
	2011.03.17	2009.10.12	15,000	-	(11,250)	(3,750)	-
	2011.03.17	2009.10.23	50,000	-	-	(12,500)	37,500
	2011.03.17	2009.10.30	1,750	-	-	(436)	1,314
	2011.03.17	2009.11.02	25,500	-	(500)	(6,250)	18,750
	2011.03.17	2009.11.04	5,500	-	-	(1,375)	4,125
	2011.03.17	2009.11.06	500	-	-	(125)	375
	2011.03.17	2009.11.09	500	-	-	(125)	375
	2011.03.17	2009.11.13	1,250	-	-	(312)	938
	2011.03.17	2009.11.15	250	-	-	(62)	188
	2011.03.17	2009.11.16	250	-	-	(62)	188
	2011.03.17	2009.11.20	2,500	-	-	(625)	1,875
	2011.03.17	2009.11.23	750	-	-	(187)	563
	2011.03.17	2009.11.24	9,000	-	-	(2,250)	6,750
	2011.03.17	2009.12.07	500	-	-	(125)	375
	2011.03.17	2009.12.09	500	-	-	(125)	375
	2011.03.17	2009.12.11	10,000	-	-	(2,500)	7,500
	2011.03.17	2009.12.21	1,250	-	-	(312)	938
	2011.03.17	2009.12.28	5,250	-	(250)	(1,250)	3,750
	2011.03.17	2009.12.29	60,000	-	(60,000)	-	-
	2011.03.17	2010.01.04	93,750	-	-	(18,750)	75,000
	2011.03.17	2010.01.07	31,250	-	-	(6,250)	25,000
	2011.03.17	2010.01.08	16,563	-	-	(3,313)	13,250
	2011.03.17	2010.01.15	26,563	-	-	(5,313)	21,250
	2011.03.17	2010.01.18	625	-	-	(125)	500
	2011.03.17	2010.01.20	31,250	-	-	(6,250)	25,000
	2011.03.17	2010.01.21	1,251	-	(250)	(251)	750
	2011.03.17	2010.01.22	313	-	(250)	(63)	-
	2011.03.17	2010.01.27	6,250	-	-	(1,250)	5,000
	2011.03.17	2010.02.01	6,250	-	-	(1,250)	5,000
	2011.03.17	2010.02.05	1,563	-	(750)	(313)	500
	2011.03.17	2010.02.11	625	-	-	(125)	500
	2011.03.17	2010.02.20	938	-	-	(188)	750
	2011.03.17	2010.02.21	313	-	-	(63)	250
	2011.03.17	2010.02.24	12,500	-	-	(2,500)	10,000
	2011.03.17	2010.02.25	938	-	-	(188)	750
	2011.03.17	2010.02.26	938	-	-	(188)	750
	2011.03.17	2010.03.01	6,875	-	-	(1,375)	5,500
	2011.03.17	2010.03.02	625	-	(625)	-	-
	2011.03.17	2010.03.03	31,250	-	(31,250)	-	-
	2011.03.17	2010.03.05	3,750	-	(3,750)	-	-

Type of grantees	Date of grant	Vesting commence date	Number of RSUs				Balance as at 30 June 2012
			Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Vested during the Period	
Employees	2011.03.17	2010.03.08	62,500	-	-	(12,500)	50,000
	2011.03.17	2010.03.10	31,250	-	-	(6,250)	25,000
	2011.03.17	2010.03.12	625	-	-	(125)	500
	2011.03.17	2010.03.15	938	-	-	(188)	750
	2011.03.17	2010.03.18	1,876	-	-	(376)	1,500
	2011.03.17	2010.03.19	6,564	-	-	(1,314)	5,250
	2011.03.17	2010.03.21	313	-	-	(63)	250
	2011.03.17	2010.03.22	6,250	-	(5,000)	(1,250)	-
	2011.03.17	2010.03.23	31,875	-	(500)	(6,375)	25,000
	2011.03.17	2010.03.26	9,689	-	(1,688)	(1,751)	6,250
	2011.03.17	2010.03.29	19,688	-	(250)	(3,938)	15,500
	2011.03.17	2010.04.06	3,126	-	-	(626)	2,500
	2011.03.17	2010.04.12	1,251	-	-	(251)	1,000
	2011.03.17	2010.04.13	938	-	-	(188)	750
	2011.03.17	2010.04.16	2,501	-	-	(501)	2,000
	2011.03.17	2010.04.19	625	-	-	(125)	500
	2011.03.17	2010.04.21	1,251	-	-	(251)	1,000
	2011.03.17	2010.04.23	6,250	-	-	(1,250)	5,000
	2011.03.17	2010.04.26	14,064	-	-	(2,814)	11,250
	2011.03.17	2010.04.28	938	-	-	(188)	750
	2011.03.17	2010.04.29	93,750	-	-	(18,750)	75,000
	2011.03.17	2010.05.04	8,752	-	-	(1,752)	7,000
	2011.03.17	2010.05.05	313	-	-	(63)	250
	2011.03.17	2010.05.10	18,750	-	-	(3,750)	15,000
	2011.03.17	2010.05.11	1,876	-	(938)	(188)	750
	2011.03.17	2010.05.14	7,813	-	-	(1,563)	6,250
	2011.03.17	2010.05.21	21,251	-	-	(4,251)	17,000
	2011.03.17	2010.05.24	626	-	-	(126)	500
	2011.03.17	2010.05.25	938	-	-	(188)	750
	2011.03.17	2010.05.26	313	-	-	(63)	250
	2011.03.17	2010.05.27	625	-	-	(125)	500
	2011.03.17	2010.05.28	19,688	-	(6,250)	(2,688)	10,750
	2011.03.17	2010.06.04	3,439	-	(1,876)	(313)	1,250
	2011.03.17	2010.06.07	625	-	-	(125)	500
	2011.03.17	2010.06.18	14,688	-	-	(2,938)	11,750
	2011.03.17	2010.06.21	13,754	-	(2,502)	(2,252)	9,000
	2011.03.17	2010.06.25	3,750	-	-	(750)	3,000
	2011.03.17	2010.06.28	2,189	-	-	(439)	1,750
	2011.03.17	2010.07.01	37,500	-	-	(6,250)	31,250
	2011.03.17	2010.07.02	4,125	-	(938)	(685)	2,502
	2011.03.17	2010.07.05	3,000	-	(2,189)	(498)	313
	2011.03.17	2010.07.06	2,625	-	(938)	(437)	1,250
	2011.03.17	2010.07.12	4,875	-	-	(812)	4,063
	2011.03.17	2010.07.13	16,500	-	(625)	(2,750)	13,125
	2011.03.17	2010.07.15	1,125	-	-	(187)	938
	2011.03.17	2010.07.16	1,125	-	-	(187)	938
	2011.03.17	2010.07.19	8,625	-	(938)	(1,437)	6,250
	2011.03.17	2010.07.20	10,875	-	-	(1,811)	9,064

Type of grantees	Date of grant	Vesting commencement date	Number of RSUs				Balance as at 30 June 2012
			Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Vested during the Period	
Employees	2011.03.17	2010.07.21	750	–	(625)	(125)	–
	2011.03.17	2010.07.26	2,250	–	–	(375)	1,875
	2011.03.17	2010.07.28	1,125	–	(938)	(187)	–
	2011.03.17	2010.07.30	1,125	–	–	(187)	938
	2011.03.17	2010.08.03	415,875	–	500	(69,498)	346,877
	2011.03.17	2010.08.10	7,500	–	(6,250)	(1,250)	–
	2011.03.17	2010.08.11	113,625	–	(938)	(18,937)	93,750
	2011.03.17	2010.08.16	1,125	–	–	(187)	938
	2011.03.17	2010.08.17	65,250	–	(6,250)	(10,873)	48,127
	2011.03.17	2010.08.23	1,875	–	(750)	(187)	938
	2011.03.17	2010.08.24	4,125	–	(625)	(687)	2,813
	2011.03.17	2010.08.30	1,125	–	–	(187)	938
	2011.03.17	2010.08.31	8,625	–	–	(1,437)	7,188
	2011.03.17	2010.09.01	750	–	–	(125)	625
	2011.03.17	2010.09.07	9,750	–	(625)	(1,625)	7,500
	2011.03.17	2010.09.08	1,500	–	(938)	(249)	313
	2011.03.17	2010.09.09	1,125	–	(938)	(187)	–
	2011.03.17	2010.09.10	1,125	–	–	(187)	938
	2011.03.17	2010.09.13	3,375	–	(938)	(561)	1,876
	2011.03.17	2010.09.14	16,500	–	(625)	(2,750)	13,125
	2011.03.17	2010.09.16	1,500	–	–	(249)	1,251
	2011.03.17	2010.09.20	4,125	–	(2,813)	(374)	938
	2011.03.17	2010.09.28	375	–	–	(62)	313
	2011.03.17	2010.10.08	76,875	–	(1,563)	(12,812)	62,500
	2011.03.17	2010.10.09	18,750	–	–	(3,125)	15,625
	2011.03.17	2010.10.11	750	–	–	(125)	625
	2011.03.17	2010.10.13	750	–	–	(125)	625
	2011.03.17	2010.10.21	1,500	–	(750)	(124)	626
	2011.03.17	2010.11.21	750	–	–	(124)	626
	2011.03.17	2010.11.22	37,500	–	(37,500)	–	–
	2011.03.17	2010.12.01	37,500	–	–	(6,250)	31,250
	2011.03.17	2011.01.04	100,000	–	(75,000)	(25,000)	–
	2011.03.17	2011.01.11	100,000	–	–	(25,000)	75,000
	2011.03.17	2011.02.14	60,000	–	–	(15,000)	45,000
	2011.03.17	2011.02.21	10,000	–	–	(2,500)	7,500
	2011.03.17	2011.03.01	90,000	–	–	(22,500)	67,500
Total:			4,256,608	–	(437,751)	(1,065,277)	2,753,580

The details and movements of RSs granted under the PNM March 2011 Scheme during the Period are as follows (all dates are shown as year.month.day):

Type of grantees	Date of grant	Vesting commence date	Number of RSs				Balance as at 30 June 2012
			Balance as at 1 January 2012	Granted during the Period	Lapsed during the Period	Vested during the Period	
LIU Shuang (<i>Note</i>)	2011.03.17	2009.04.01	816,750	–	–	(272,250)	544,500
LI Ya (<i>Note</i>)	2011.03.17	2009.04.01	794,063	–	–	(264,688)	529,375
Employees	2011.03.17	2009.04.01	2,701,017	–	–	(900,339)	1,800,678
	2011.03.17	2010.02.20	37,500	–	–	(7,500)	30,000
	2011.03.17	2010.02.21	1,125,000	–	–	(225,000)	900,000
	2011.03.17	2010.10.08	300,000	–	(250,000)	(50,000)	–
	2011.03.17	2010.10.25	37,500	–	–	(6,250)	31,250
	2011.03.17	2010.12.01	3,225,000	–	–	(537,500)	2,687,500
	2011.03.17	2010.12.27	675,000	–	–	(112,500)	562,500
Total:			9,711,830	–	(250,000)	(2,376,027)	7,085,803

Note: Mr. LIU Shuang and Mr. LI Ya are directors of PNM.

Save as disclosed above, no option, RSU or RS was granted to the Directors, chief executives or substantial shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option Scheme or the PNM March 2011 Scheme during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the share option schemes of the Company approved by the Shareholders on 7 June 2000 and 19 June 2009, the Committee of Directors established pursuant to the rules of share option schemes of the Company may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive Directors, to take up options to subscribe for Shares. The maximum number of Shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. However, the share option schemes approved by the Shareholders on 7 June 2000 have no remaining life and no further options can be granted under the schemes.

Save as disclosed herein, and other than those in connection with the Group re-organisation scheme prior to the Company's listing of Shares, at no time during the Period was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the business of the Group to which the Company, or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2012, so far as known to the Directors and the chief executives of the Company, the interest of the Shareholders (not being Directors and the chief executives of the Company) in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

(I) Long positions of substantial Shareholders in the ordinary Shares of the Company

Name of substantial Shareholders	Number of Shares	Approximate shareholding percentage
Today's Asia Limited (<i>Note 2</i>)	1,854,000,000	37.13%
Extra Step Investments Limited (<i>Note 3</i>)	983,000,000	19.69%
Star Entertainment Holdings Limited (<i>Note 4</i>)	871,000,000	17.44%

Notes:

1. As at 30 June 2012, the number of issued shares of the Company was 4,993,585,500.
2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% interests, respectively.
3. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited which in turn is a subsidiary of China Mobile Communications Corporation ("CMCC"). By virtue of the SFO, CMCC and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. SHA Yuejia and Mr. GAO Nianshu, both non-executive Directors, are respectively executive director and vice president of China Mobile Limited and general manager of the Department of Market Operation of CMCC. Dr. LO Ka Shui, an independent non-executive Director, is an independent non-executive director of China Mobile Limited.

4. Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.) is a subsidiary of Star Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of Star Group Limited. News Publishers Investments Pty. Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty. Limited is a wholly-owned subsidiary of STAR LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a direct wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is a direct wholly-owned subsidiary of News Publishing Australia Limited, which is an indirect wholly-owned subsidiary of News Corporation.

By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Group Limited are all deemed to be interested in the 871,000,000 Shares held by Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.).

(II) Long position of other person in the ordinary Shares of the Company

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage
China Wise International Limited (<i>Notes 2, 3</i>)	412,000,000	8.25%

Notes:

1. As at 30 June 2012, the number of issued shares of the Company was 4,993,585,500.
2. China Wise International Limited is a wholly-owned subsidiary of Cultural Developments Limited, which in turn is a wholly-owned subsidiary of Bank of China Group Investment Limited. Bank of China Group Investment Limited is a wholly-owned subsidiary of Bank of China Limited, which in turn is a subsidiary of Central Huijin Investments Limited. By virtue of the SFO, Central Huijin Investments Limited, Bank of China Limited, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 Shares held by China Wise International Limited.
3. Mr. GONG Jianzhong, non-executive Director of the Company, is a director and chief executive officer of Bank of China Group Investment Limited and a director of a number of companies controlled by Bank of China Group Investment Limited or in which Bank of China Group Investment Limited has an interest.

Save as disclosed above, there was no person (other than the Directors or the chief executives of the Company) known to the Directors or the chief executives of the Company, who, as at 30 June 2012, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

COMPETING BUSINESS

Star Group Limited and its subsidiaries (“STAR”) engage in the development, production and broadcasting of television programming in Asia with India as the key market. STAR’s programming is distributed primarily via satellite to local cable and direct-to-home operators for distribution to their subscribers. STAR currently offers the following Chinese-language channels including Channel [V] Taiwan, Star Chinese Movies and Star Chinese Channel. Mr. Jan KOEPPEN and Mr. CHEUNG Chun On, Daniel, both non-executive Directors, and their alternate Directors, Ms. Ella Betsy WONG and Dr. GAO Jack Qunyao, are employees of News Corporation, the ultimate holding company of STAR, and its affiliates. Other than the Chinese-language channels offered by STAR above, STAR and its subsidiaries do not offer any other similar Chinese-language channels.

Save as disclosed above, as at 30 June 2012, none of the Directors, or their respective associates (as defined under the Listing Rules) had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group during the Period. Since the channels operated by STAR differ in nature form and do not directly compete with the channels operated by the Company, the Company is capable of carrying on its business independently.

ADVANCES TO AN ENTITY

Details of the relevant advance to an entity from the Group which exceeds 8% of the Group’s total assets as at 30 June 2012, as defined under Rule 14.07(1) of the Listing Rules, are set out in Note 16 to the unaudited condensed consolidated interim financial information.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company adopted the internal code on corporate governance which combined the existing principles and practices with most of the mandatory provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively “CG Code”) as set out in Appendix 14 of the Listing Rules – all with the objective of taking forward a corporate governance structure which builds on the standards and experiences of the Company, whilst respecting the benchmarks set in the CG Code.

The Company has an internal audit function to assist the Board in monitoring and advising on the effectiveness of the governance, risk management and internal control processes of the Group. The following summarises the corporate governance practices of the Company and explanations of deviations from the CG Code.

Unless otherwise disclosed herein, the Company had, throughout the six months ended 30 June 2012, complied with the CG Code.

(I) Distinctive Roles of Chairman and Chief Executive Officer

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

Deviation and reasons

Mr. LIU Changle is both the chairman and chief executive officer of the Company since its incorporation. He is responsible for managing the Board and the businesses of the Group.

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

Mr. LIU Changle 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 Changle’s invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the audit committee of the Company (“Audit Committee”), balance of power and authority can be ensured and there is no imminent need to change the arrangement.

(II) Appointments, Re-election and Removal

Under the code provisions of the CG Code, (a) non-executive directors should be appointed for a specific term, subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and reasons

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings as set out in the Model Code contained in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors had complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the six months ended 30 June 2012.

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

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the code provisions of the CG Code. The primary duties of the Audit Committee are to review the annual report and financial statements, half-year reports and quarterly reports (if any) of the Company and to provide advice and comments thereon to the Board. The Audit Committee will meet at least twice a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters.

The Audit Committee currently comprises one non-executive Director, namely Mr. CHEUNG Chun On, Daniel and two independent non-executive Directors, namely Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK (chairman of the Audit Committee).

The Audit Committee had reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 and the related interim results announcement, and provided advice and comments.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company for the Period is published on the websites of the Stock Exchange at www.hkexnews.hk, the Company's at www.ifeng.com, and the professional investor relation platform at www.irasia.com/listco/hk/phoenixtv. The interim report of the Company for the Period will be dispatched to Shareholders and published on the abovementioned websites on or before 30 September 2012.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of the Company has the pleasure of presenting the unaudited condensed consolidated interim financial information of the Group for the Period, and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2012, together with the comparative figures for the corresponding period and relevant date in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED FOR THE SIX MONTHS ENDED 30 JUNE 2012

		For the six months ended 30 June	
	<i>Note</i>	2012 HK\$'000	2011 HK\$'000 (Note 27)
Revenue	5	1,991,788	1,540,147
Operating expenses	6	(1,240,943)	(1,066,931)
Selling, general and administrative expenses	6	(281,724)	(190,040)
Other gains/(losses)			
Fair value loss on preference share liability – derivative component		–	(947,100)
Interest accretion for preference share liability – host debt		–	(17,613)
Fair value gains on investment properties		4,443	140,365
Interest income		29,171	5,949
Other gains – net	6	4,134	18,814
Share of profit/(loss) of an associate		21	(1,055)
Share of loss of jointly controlled entities		(2,654)	(982)
Profit/(loss) before income tax		504,236	(518,446)
Income tax expense	7	(104,084)	(112,269)
Profit/(loss) for the period		400,152	(630,715)
Attributable to:			
Owners of the Company		354,320	(539,974)
Non-controlling interests		45,832	(90,741)
		400,152	(630,715)
Earnings/(losses) per share for profit/(loss) attributable to the owners of the Company			
Basic earnings/(losses) per share, Hong Kong cents	9	7.10	(10.82)
Diluted earnings/(losses) per share, Hong Kong cents	9	7.09	(10.82)
Dividends and distributions	8	–	233,860

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
UNAUDITED**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	400,152	(630,715)
Other comprehensive income for the period, net of tax		
Currency translation differences	<u>2,379</u>	<u>26,788</u>
Total comprehensive income/(loss) for the period	<u>402,531</u>	<u>(603,927)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	356,041	(513,186)
Non-controlling interests	<u>46,490</u>	<u>(90,741)</u>
	<u>402,531</u>	<u>(603,927)</u>

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED
AS AT 30 JUNE 2012

		As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	<i>10</i>	23,077	23,731
Lease premium for land	<i>11</i>	236,796	239,323
Property, plant and equipment, net	<i>12</i>	1,278,341	1,150,440
Investment properties	<i>13</i>	775,885	685,391
Intangible assets	<i>14</i>	15,961	16,739
Investments in jointly controlled entities		4,200	6,854
Amount due from a jointly controlled entity		40,000	20,000
Investment in an associate		5,785	5,764
Available-for-sale financial assets		962	962
Other long-term assets		65,455	40,489
Deferred income tax assets		31,771	33,273
		<hr/> 2,478,233 <hr/>	<hr/> 2,222,966 <hr/>
Current assets			
Accounts receivable, net	<i>15</i>	567,737	447,111
Prepayments, deposits and other receivables	<i>16</i>	903,493	754,201
Inventories		7,823	7,803
Amounts due from related companies	<i>25</i>	112,122	93,466
Self-produced programmes		23,959	8,673
Purchased programme and film rights, net	<i>10</i>	7,683	9,092
Financial assets at fair value through profit or loss	<i>17</i>	20,926	18,011
Bank deposits		1,324,058	1,078,996
Restricted cash		16,168	3,124
Cash and cash equivalents		1,513,343	1,545,486
		<hr/> 4,497,312 <hr/>	<hr/> 3,965,963 <hr/>
Total assets		<hr/> 6,975,545 <hr/>	<hr/> 6,188,929 <hr/>

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

		As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i> (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	499,358	499,298
Reserves			
– Proposed final dividend		–	209,705
– Others		3,237,537	2,856,466
		<u>3,736,895</u>	<u>3,565,469</u>
Non-controlling interests		<u>1,369,040</u>	<u>1,317,514</u>
Total equity		<u>5,105,935</u>	<u>4,882,983</u>
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		8,222	6,743
Deferred income tax liabilities		69,238	76,453
		<u>77,460</u>	<u>83,196</u>
Current liabilities			
Accounts payable, other payables and accruals	21	589,769	507,638
Borrowings	20	611,893	478,480
Deferred income	19	309,321	181,398
Amounts due to related companies	25	597	1,637
Loans from non-controlling shareholders of a subsidiary	20	153,588	–
Current income tax liabilities		126,982	53,597
		<u>1,792,150</u>	<u>1,222,750</u>
Total liabilities		<u>1,869,610</u>	<u>1,305,946</u>
Total equity and liabilities		<u>6,975,545</u>	<u>6,188,929</u>
Net current assets		<u>2,705,162</u>	<u>2,743,213</u>
Total assets less current liabilities		<u>5,183,395</u>	<u>4,966,179</u>

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY –
UNAUDITED**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note)</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Employee share-based payment reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2011	498,703	420,066	9,899	–	43,004	26,274	1,209,132	250,213	2,457,291
Loss for the period	–	–	–	–	–	–	(539,974)	(90,741)	(630,715)
Other comprehensive income									
Currency translation differences	–	–	–	–	26,788	–	–	–	26,788
Total comprehensive income/ (loss) for the period	–	–	–	–	26,788	–	(539,974)	(90,741)	(603,927)
Transactions with owners									
Share option scheme									
– value of employee services	–	–	–	–	–	87,176	–	–	87,176
– recognition of shares issued on exercise of options	441	7,464	–	–	–	(2,082)	–	–	5,823
Dividends related to 2010	–	(164,717)	–	–	–	–	–	–	(164,717)
Assured entitlement (<i>Note 8</i>)	–	(44,127)	–	23,425	–	–	–	6,564	(14,138)
Disposals of interests in subsidiaries without loss of control (<i>Note 23</i>)	–	–	–	1,640,006	–	–	–	1,088,533	2,728,539
Total transactions with owners	441	(201,380)	–	1,663,431	–	85,094	–	1,095,097	2,642,683
Balance at 30 June 2011	<u>499,144</u>	<u>218,686</u>	<u>9,899</u>	<u>1,663,431</u>	<u>69,792</u>	<u>111,368</u>	<u>669,158</u>	<u>1,254,569</u>	<u>4,496,047</u>

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note)</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Employee share-based payment reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2012	499,298	29,804	29,154	1,666,398	74,263	143,560	1,122,992	1,317,514	4,882,983
Profit for the period	-	-	-	-	-	-	354,320	45,832	400,152
Other comprehensive income									
Currency translation differences	-	-	-	-	1,721	-	-	658	2,379
Total comprehensive income for the period	-	-	-	-	1,721	-	354,320	46,490	402,531
Transactions with owners									
Share option scheme									
– value of employee services	-	-	-	-	-	29,160	-	-	29,160
– recognition of shares issued on exercise of options	60	414	-	-	-	-	-	-	474
– lapse of share options	-	58	-	-	-	(58)	-	-	-
Dividends related to 2011	-	-	-	-	-	-	(209,731)	-	(209,731)
Disposals of interests in subsidiaries without loss of control <i>(Note 23)</i>	-	-	-	35,052	-	(39,570)	-	5,036	518
Allocation to statutory reserve	-	-	7,657	-	-	-	(7,657)	-	-
Total transactions with owners	60	472	7,657	35,052	-	(10,468)	(217,388)	5,036	(179,579)
Balance at 30 June 2012	<u>499,358</u>	<u>30,276</u>	<u>36,811</u>	<u>1,701,450</u>	<u>75,984</u>	<u>133,092</u>	<u>1,259,924</u>	<u>1,369,040</u>	<u>5,105,935</u>

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 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flow generated from/(used in) operating activities – net	196,726	(553,123)
Cash flow used in investing activities – net	(308,207)	(294,195)
Cash flow generated from financing activities – net	76,938	1,166,854
Net (decrease)/increase in cash and cash equivalents	(34,543)	319,536
Cash and cash equivalents at beginning of period	1,545,486	1,312,502
Exchange gains on cash and cash equivalents	2,400	11,666
Cash and cash equivalents at end of period	1,513,343	1,643,704

The notes on pages 31 to 52 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION – UNAUDITED

1 GENERAL INFORMATION

Phoenix Satellite Television Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) engage in satellite television broadcasting activities.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in the Hong Kong Special Administrative Region of the PRC (“Hong Kong”). The address of its registered office is Cricket Square, Hutchins Drive, PO 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 17 August 2012.

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 2012 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 2011, 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 2011, as described in those annual financial statements.

(a) *Effect of adopting amendments to standards*

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012.

HKFRS 7 (amendment)	Disclosures – Transfer of Financial Assets
HKAS 1 (amendment)	Presentation of Items of Other Comprehensive Income
HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets

Since the Group has rebutted the presumption that the investment properties are recovered through sale as introduced in HKAS 12 (Amendment), deferred tax on the fair value changes on the investment properties has been provided for using the income tax rate. The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group.

(b) *New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 December 2012 and have not been early adopted by the Group*

HKFRS 1 (amendment)	Government Loans ⁽¹⁾
HKFRS 7 (amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities ⁽¹⁾
HKFRS 9	Financial Instruments ⁽³⁾
HKFRS 10	Consolidated Financial Statements ⁽¹⁾
HKFRS 11	Joint Arrangements ⁽¹⁾
HKFRS 12	Disclosure of Interests in Other Entities ⁽¹⁾
HKFRS 10, 11 and 12 (amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ⁽¹⁾
HKFRS 13	Fair Value Measurement ⁽¹⁾
HKAS 19 (2011)	Employee Benefits ⁽¹⁾
HKAS 27 (2011)	Separate Financial Statements ⁽¹⁾
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁽¹⁾
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities ⁽²⁾
HK(IFRIC)-Int 20 (amendment)	Stripping Costs in the Production Phase of a Surface Mine ⁽¹⁾
HKFRSs (amendment)	Annual Improvements 2009-2011 Cycle ⁽¹⁾

¹ Effective for the Group for annual period beginning on 1 January 2013

² Effective for the Group for annual period beginning on 1 January 2014

³ Effective for the Group for annual period beginning on 1 January 2015

The Group will apply the above new standards and amendments to standards from 1 January 2013 or later periods. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

3 ESTIMATES

The preparation of 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 these 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 2011.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

This condensed consolidated interim 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 for the year ended 31 December 2011.

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

4.2 Liquidity risk

Compared to year end, except for the drawdown of new borrowings of HK\$71,265,000 and the loans from non-controlling shareholders of a subsidiary of HK\$153,588,000 which will be repayable in less than 1 year, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. Level 1 has been defined as quoted prices (unadjusted) in active markets for identical assets or liabilities.

The following table presents the Group's assets that are measured at fair value at 30 June 2012.

	Level 1 HK\$'000
Assets	
Financial assets at fair value through profit or loss	
– trading equity securities	<u>20,926</u>

The following table presents the Group's assets that are measured at fair value at 31 December 2011.

	Level 1 HK\$'000
Assets	
Financial assets at fair value through profit or loss	
– trading equity securities	<u>18,011</u>

In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2012, there were no reclassifications of financial assets.

5 SEGMENTAL INFORMATION

Management has determined the operating segments 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 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 and others.
- (ii) New media – provision of website portal and value-added telecommunication services;
- (iii) Outdoor media – provision of outdoor advertising services;
- (iv) Real estate – property development and investment (mainly Phoenix International Media Centre in Beijing); and
- (v) Other activities – programme production and ancillary services merchandising services, magazine publication and distribution, and other related services.

For the six months ended 30 June 2012

	Television broadcasting								
	Primary channels HK\$'000	Others HK\$'000	Sub-total HK\$'000	New media HK\$'000	Outdoor media HK\$'000	Real estate HK\$'000 (Note c)	Other activities HK\$'000	Inter- segment elimination HK\$'000	Group HK\$'000
Revenue									
External sales	1,007,572	89,367	1,096,939	650,046	208,748	282	35,773	-	1,991,788
Inter-segment sales (Note d)	-	2,864	2,864	-	-	-	21,566	(24,430)	-
Total revenue	<u>1,007,572</u>	<u>92,231</u>	<u>1,099,803</u>	<u>650,046</u>	<u>208,748</u>	<u>282</u>	<u>57,339</u>	<u>(24,430)</u>	<u>1,991,788</u>
Segment results	537,964	2,395	540,359	90,449	24,338	(1,998)	170		653,318
Unallocated income (Note a)									10,310
Unallocated expenses (Note b)									<u>(156,759)</u>
Profit before share of results of jointly controlled entities, an associate, income tax and non – controlling interests									506,869
Share of profit of an associate									21
Share of loss of jointly controlled entities									(2,654)
Income tax expense									<u>(104,084)</u>
Profit for the period									400,152
Non-controlling interests									<u>(45,832)</u>
Profit attributable to owners of the Company									<u>354,320</u>

For the six months ended 30 June 2011

	Television broadcasting						Other activities HK\$'000	Inter-segment elimination HK\$'000	Total continued operations HK\$'000
	Primary channels HK\$'000	Others HK\$'000	Sub-total HK\$'000	New media HK\$'000	Outdoor media HK\$'000	Real estate HK\$'000 (Note c)			
Revenue									
External sales	808,238	83,645	891,883	472,195	143,486	-	32,583	-	1,540,147
Inter-segment sales (Note d)	-	3,792	3,792	5,901	-	-	19,432	(29,125)	-
Total revenue	<u>808,238</u>	<u>87,437</u>	<u>895,675</u>	<u>478,096</u>	<u>143,486</u>	<u>-</u>	<u>52,015</u>	<u>(29,125)</u>	<u>1,540,147</u>
Segment results	392,919	9,170	402,089	(940,081)	(2,359)	136,663	3,316		(400,372)
Unallocated income (Note a)									19,521
Unallocated expenses (Note b)									<u>(135,558)</u>
Loss before share of results of jointly controlled entities, an associate, income tax and non – controlling interests									(516,409)
Share of loss of an associate									(1,055)
Share of loss of jointly controlled entities									(982)
Income tax expense									<u>(112,269)</u>
Loss for the period									(630,715)
Non-controlling interests									<u>90,741</u>
Loss attributable to owners of the Company									<u>(539,974)</u>

Notes:

- (a) Unallocated income represents exchange gain, interest income, fair value gain/loss on financial assets and liabilities (realised and unrealised) and investment income.
- (b) Unallocated expenses represent primarily:
- corporate staff costs;
 - office rental;
 - general administrative expenses; and
 - marketing and advertising expenses that relate to the Group as a whole.
- (c) During the six months ended 30 June 2011, real estate did not qualify as a reportable operating segment. However, with the continuous development and expansion of this segment, it qualifies as a reportable operating segment for the six months ended 30 June 2012. The comparatives have been restated.
- (d) Sales between segments are carried out based on terms determined by management with reference to market prices.

6 PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Crediting		
Investment income	545	474
Fair value gain on financial assets at fair value through profit or loss	2,915	–
Charging		
Production costs of self-produced programmes	91,406	92,076
Transponder rental	14,986	14,368
Provision for impairment of accounts receivable	20,114	5,479
Employee benefit expenses (including Directors' emoluments)	455,620	432,772
Operating lease rental in respect of		
– Directors' quarters	1,029	1,015
– Land and buildings of third parties	26,152	17,062
Fair value loss on financial assets at fair value through profit or loss	–	809
Amortisation of purchased programme and film rights	15,195	10,981
Amortisation of intangible assets	778	858
Amortisation of lease premium for land	2,854	1,372
Depreciation of property, plant and equipment	78,817	64,121
Loss on disposal of property, plant and equipment, net	726	3

7 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

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

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	84,881	54,602
– Overseas taxation	24,915	27,036
Deferred income tax	(5,712)	30,631

8 DIVIDENDS AND DISTRIBUTIONS

A dividend of HK\$209,731,000 that relates to the period to 31 December 2011 was paid in June 2012 (six months ended 30 June 2011: HK\$164,717,000).

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Special dividend, paid, of 3.8 Hong Kong cents per share	–	189,732
Assured entitlement, paid (<i>Note a</i>)	–	44,127
	<u>–</u>	<u>233,859</u>

- (a) In giving due regard to the interests of the shareholders of the Company as required under Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company had to make available to the qualifying shareholders an assured entitlement to the American depository shares (“Distribution ADS”) in connection with the initial public offering (the “Offering”) of Phoenix New Media Limited (“PNM”) on the New York Stock Exchange (“NYSE”) (Note 23(a)) by means of a distribution-in-specie. On 31 May 2011, the Group distributed 334,330 Distribution ADS amounting to HK\$29,989,000 and paid cash in lieu of Distribution ADS of US\$11 (approximately HK\$85.8) per Distribution ADS totalling HK\$14,138,000.

9 EARNINGS/(LOSSES) PER SHARE

Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(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	
	2012	2011
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>354,320</u>	<u>(539,974)</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,993,347</u>	<u>4,989,342</u>
Basic earnings/(losses) per share (Hong Kong cents)	<u>7.10</u>	<u>(10.82)</u>

Diluted

Diluted earnings/(losses) 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, restricted shares and restricted share units of subsidiaries (six months ended 30 June 2011: share options of the Company and a subsidiary, restricted shares of a subsidiary and the conversion option of the preference shares issued by 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 (six months ended 30 June 2011: exercise of the share options and the conversion of the preference shares). Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings/(losses) per share.

	For the six months ended 30 June 2012	2011
Profit/(loss) attributable to owners of the Company used to determine diluted earnings/(losses) per share (HK\$'000)	<u>354,320</u>	<u>(539,974)</u>
Weighted average number of ordinary shares in issue ('000)	4,993,347	4,989,342
Adjustment for share options of the Company ('000)	<u>4,892</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings/(losses) per share ('000)	4,998,239	4,989,342
Diluted earnings/(losses) per share (Hong Kong cents)	<u>7.09</u>	<u>(10.82)</u>

For the six months ended 30 June 2011, the share options issued by the Company and a subsidiary, restricted shares of a subsidiary and the conversion option of the preference shares issued by a subsidiary did not have a dilutive effect on the losses per share.

10 PURCHASED PROGRAMME AND FILM RIGHTS, NET

	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000 (Audited)
Balance, beginning of period/year	32,823	30,700
Additions	14,592	30,012
Amortisation	(15,195)	(25,421)
Others	<u>(1,460)</u>	<u>(2,468)</u>
Balance, end of period/year	30,760	32,823
Less: Purchased programme and film rights – current portion	<u>(7,683)</u>	<u>(9,092)</u>
	<u>23,077</u>	<u>23,731</u>

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:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
In Hong Kong, held on:		
Leases between 10 to 50 years	35,054	35,555
Outside Hong Kong, held on:		
Leases between 10 to 50 years	201,742	203,768
	236,796	239,323
	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000 (Audited)
Balance, beginning of period/year	239,323	239,300
Currency translation differences	327	5,661
Amortisation (<i>Note b</i>)	(2,854)	(5,638)
Balance, end of period/year (<i>Note c</i>)	236,796	239,323

- (a) On 9 April 2008, Phoenix Pictures Limited ("Phoenix Pictures"), an indirectly wholly owned subsidiary of the Company, acquired 鳳凰東方(北京)置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited[#]) ("Phoenix Oriental"), which holds the land use rights for a piece of land in Chaoyang Park, Beijing. The land use rights held by Phoenix Oriental have been consolidated into the financial statements of the Group since then. The land use term of the land is 50 years from 10 October 2001.

The land at the south western corner of Chaoyang Park in Beijing was valued by Vigers Appraisal and Consulting Limited, an independent appraiser as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land as at acquisition date was RMB209,273,000 (equivalent to approximately HK\$237,625,000). Subsequent to the acquisition of Phoenix Oriental, an amount of RMB3,398,100 (equivalent to approximately HK\$3,885,000) was paid for the title registration for the land use right which has been capitalised as part of the cost of the land use right.

The land and project transfer contract for the land was entered into by Phoenix Oriental in or around May 2006, before it became an indirectly owned subsidiary of the Company. So far as the Directors are aware, the terms of the land and project transfer contract were agreed at after arm's length negotiations between Phoenix Oriental and 北京朝陽公園開發經營公司 (Beijing Chaoyang Park Development and Management Co.) based on applicable rates promulgated by the government of PRC. All land premium and taxes in relation to the land payable up to 31 March 2010 in the aggregate amount of RMB179,500,000 (HK\$204,630,000) have been fully paid. In April 2010, Phoenix Oriental and State-owned Assets Beijing Bureau (北京市國土資源局) entered into a supplemental agreement to the land and project transfer contract to increase the total gross floor area to approximately 65,000 square metres and change the land use to mixed use and underground parking, for additional land premium in the amount of approximately RMB45,660,000 (HK\$52,052,000). The additional land premium together with deed tax in the aggregate total amount of approximately RMB47,000,000 (HK\$53,580,000) have been fully paid in May 2010. The additional land premium has been reflected in the lease premium for land and investment property under construction in accordance with the expected usage areas for the Group's operations and for rental income and capital appreciation.

The land, comprised of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres, in which above ground of approximately 35,000 square metre, is for cultural, entertainment and office uses. Management intends the land to be used for the development of the Phoenix International Media Centre which will contain theatres and television programme studios to be used by the Group.

Upon completion of the construction, approximately 25,400 square metres will be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

- (b) For the six months ended 30 June 2012, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK\$1,482,000 (six months ended 30 June 2011: HK\$1,619,000).
- (c) Included in the net book value as of 30 June 2012 is an amount of HK\$15,758,000 (as at 31 December 2011: HK\$15,960,000) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 30 June 2012, 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. As at 30 June 2012, the Group's entitlement to use of its entitled areas in the building continues to be accounted for as a finance lease as the Group had not yet obtained title to these entitled areas (Note 12(a)).

12 PROPERTY, PLANT AND EQUIPMENT, NET

	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000 (Audited)
Balance, beginning of period/year	1,150,440	904,342
Additions	206,578	368,559
Currency translation differences	870	18,914
Disposals	(730)	(355)
Depreciation	(78,817)	(141,020)
	<u>1,278,341</u>	<u>1,150,440</u>
Balance, end of period/year (<i>Note a</i>)	<u>1,278,341</u>	<u>1,150,440</u>

- (a) Included in the net book value as of 30 June 2012 is an amount of HK\$27,233,000 (as at 31 December 2011: HK\$27,583,000) which relates to the Group's entitlement to use 10,000 square metres in the Shenzhen Building. The Group's entitlement to use was accounted for as a finance lease as at 30 June 2012. As at 30 June 2012, the cost of this capitalised finance lease was HK\$30,848,000 (as at 31 December 2011: HK\$30,848,000) with a net book value of HK\$27,233,000 (as at 31 December 2011: HK\$27,583,000). As at 30 June 2012, 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 (*Note 11(c)*).

13 INVESTMENT PROPERTIES

	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000 (Audited)
Balance, beginning of period/year	685,391	371,138
Additions	84,127	164,486
Fair value gains	4,443	127,488
Currency translation differences	1,924	22,279
	<u>775,885</u>	<u>685,391</u>
Balance, end of period/year	<u>775,885</u>	<u>685,391</u>
	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
Representing:		
Investment property under construction (<i>Note a</i>)	765,972	675,630
Investment property	9,913	9,761
	<u>775,885</u>	<u>685,391</u>

- (a) The Group participated in the development of the Phoenix International Media Centre on a piece of land situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing (Note 11(a)).

The land, comprised of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres in which above ground of approximately 35,000 square metres, is for cultural, entertainment and office uses. Upon completion of the construction, approximately 25,400 square metres will be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

- (b) The Group applied the fair value model for the accounting of its investment properties and has fair valued the portion of the construction in progress of the Phoenix International Media Centre and the investment property in London. The portion of the construction in progress of the Phoenix International Media Centre and the investment property in London were valued by Vigers Appraisal and Consulting Limited and Lambert Smith Hampton respectively, which are independent appraisers. Fair value gains of approximately HK\$4,443,000 (six months ended 30 June 2011: HK\$140,365,000) were recognised in the condensed consolidated income statement for the six months ended 30 June 2012.
- (c) For the six months ended 30 June 2012, interest capitalised under investment property under construction amounted to HK\$13,222,000 (six months ended 30 June 2011: HK\$5,252,000).

14 INTANGIBLE ASSETS

	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000 (Audited)
Balance, beginning of period/year	16,739	18,473
Amortisation	(778)	(1,734)
Balance, end of period/year	<u>15,961</u>	<u>16,739</u>

- (a) Goodwill arising from the acquisition of a subsidiary amounted to HK\$8,733,000. There was no impairment charge recognised during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

15 ACCOUNTS RECEIVABLE, NET

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
Accounts receivable	598,692	458,499
Less: Provision for impairment of receivables	(30,955)	(11,388)
	<u>567,737</u>	<u>447,111</u>

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 16). The Group generally requires customers to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
0-30 days	222,197	144,204
31-60 days	45,693	84,116
61-90 days	74,322	62,237
91-120 days	75,689	70,463
Over 120 days	<u>180,791</u>	<u>97,479</u>
	598,692	458,499
Less: Provision for impairment of receivables	<u>(30,955)</u>	<u>(11,388)</u>
	<u>567,737</u>	<u>447,111</u>

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\$20,114,000 (six months ended 30 June 2011: HK\$5,479,000) for the impairment of its accounts receivable during the six months ended 30 June 2012. The loss has been included in selling, general and administrative expenses in the condensed consolidated income statement. The Group has written off HK\$212,000 (six months ended 30 June 2011: HK\$271,000) of accounts receivable against the provision for impairment of receivables and reversed HK\$359,000 (six months ended 30 June 2011: Nil) of the provision for impairment of receivables made in prior years during the six months ended 30 June 2012 respectively.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK\$578,837,000 (as at 31 December 2011: HK\$490,805,000) 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, 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 HK\$578,837,000 as at 30 June 2012 (as at 31 December 2011: HK\$490,805,000) is fully recoverable and no provision is required. The balance is unsecured and bears interest at prevailing bank interest rates and repayable on demand.

Prepayment for long-term assets represents deposits and prepayment paid for the acquisition of property, plant and equipment.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
Unlisted investments at fair value	20,926	18,011

The above investments were designated as fair value through profit or loss on initial recognition. Investments with a maturity longer than one year at the inception date are classified as non-current. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other gains, net in the condensed consolidated income statement.

As at 30 June 2012 and 31 December 2011, the financial assets at fair value through profit and loss represent investments in the shares of HSBC.

The shares of HSBC were acquired through the maturity of an equity-linked note on 5 December 2008. On the settlement date of the equity-linked note, the Group received 305,271 shares of HSBC instead of the principal of the investment from the issuer and any gain or loss on the fair value of the shares of HSBC recognised in the consolidated income statement since then. These shares are held for trading. As at 30 June 2012, the closing price of the shares of HSBC was HK\$68.55 (as at 31 December 2011: HK\$59). If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, after-tax profit (six months ended 30 June 2011: loss) for the period would have been HK\$10,463,000 higher/lower (six months ended 30 June 2011: HK\$11,761,000 lower/higher). The investment is managed and its performance evaluated on a fair value basis and information about the Company's investment in the shares is reported to management on that basis.

18 BANKING FACILITIES

On 27 July 2009 and 20 February 2012, Phoenix Oriental obtained loan facilities amounting to approximately HK\$614,350,000 and HK\$71,265,000, respectively from Bank of Beijing to fund the construction work on the Phoenix International Media Centre. As at 30 June 2012, loan facilities of approximately HK\$685,615,000 (as at 31 December 2011: HK\$612,650,000) was fully utilised.

Save as disclosed above at 30 June 2012, the Group had remaining banking facilities amounting to approximately HK\$18,140,000 (as at 31 December 2011: HK\$18,124,000) of which approximately HK\$13,902,000 (as at 31 December 2011: HK\$13,584,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 30 June 2012, deposits of approximately HK\$3,140,000 (as at 31 December 2011: HK\$3,124,000) were pledged with a bank to secure banking guarantee given to the landlord of a subsidiary.

19 DEFERRED INCOME

Included in deferred income is an amount of approximately HK\$23,743,000 (as at 31 December 2011: HK\$29,556,000) of unutilised amount of airtime in relation to the strategic cooperation agreement (the “Strategic Cooperation Agreement”) and a barter agreement (the “Barter Agreement”) entered into between the Group and Mission Hills Group Limited (“Mission Hills”) on 23 June 2006. According to the Strategic Cooperation Agreement, the Group would provide advertising airtime on its satellite television channels and assist Mission Hills in the planning and promotion of the corporate image and branding of Mission Hills by using the Group’s resources and leading position in the media industry. The contract term of the Strategic Cooperation Agreement is five years from the date of the contract. On 23 December 2010 and at the request of Mission Hills, the Group and Mission Hills entered into the Supplementary Agreement, pursuant to which the parties agreed to amend the term of 5 years from 23 June 2006 of the Strategic Cooperation Agreement and Barter Agreement to 8 years.

Under the Barter Agreement, Mission Hills transferred the title, rights and interests of a villa in Mission Hills in Residence (the “Villa”) to the Group at a price of approximately HK\$98,000,000 and in exchange, the Group would provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Group’s normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of Mission Hills and its projects. The Group took possession of the Villa in July 2006 and received title in February 2007.

For the six months ended 30 June 2012, the Group recognised revenue of approximately HK\$5,813,000 (six months ended 30 June 2011: Nil) for airtime utilised.

20 BORROWINGS

	As at 30 June 2012 HK\$’000	As at 31 December 2011 HK\$’000 (Audited)
Secured bank borrowings (<i>Note a</i>)	611,893	478,480
Loans from non-controlling shareholders of a subsidiary (<i>Note c</i>)	153,588	–
	<u>765,481</u>	<u>478,480</u>

(a) Secured bank borrowings

Secured bank borrowings, which are denominated in RMB, of which RMB440,000,000, which is equivalent to HK\$540,628,000 will mature on 26 July 2012 and RMB58,000,000, which is equivalent to HK\$71,265,000 will mature on 19 February 2013. They bear interest at an average rate of 7.38% annually (as at 31 December 2011: 6.79%).

Bank borrowings are secured by the land in Chaoyang Park together with the development site, with carrying values of approximately HK\$116,000,000 (as at 31 December 2011: HK\$117,000,000), HK\$261,000,000 (as at 31 December 2011: HK\$203,000,000) and HK\$766,000,000 (as at 31 December 2011: HK\$676,000,000) recorded in lease premium for land, construction in progress and investment properties respectively as at 30 June 2012.

(b) Preference share liability

PNM entered into the Preferred Shares Agreement in 2009 with three institutional investors, agreeing to issue 130,000,000 convertible Series A Preferred Shares (“Preferred Shares”), with par value of US\$0.01 each, of PNM to the investors at a total consideration of US\$25,000,000 (approximately HK\$195,000,000).

In accordance with HKAS 39 “Financial Instrument: Recognition and Measurement”, the Preferred Shares represent a compound financial instrument with multiple components, which comprise:

- A host debt component;
- An equity component; and
- A compound embedded derivative component (representing the investor’s option to require the Company to redeem the shares for cash at the predetermined amount and the investor’s option to convert the preference shares into a variable number of PNM’s ordinary shares and the mandatory conversion upon an initial public offering).

The fair value of the Preferred Shares at issuance (equal to their face value at issuance) is assigned to its respective debt, compound derivative and equity components based on the fair value of the debt and compound derivative components. The equity component is the remaining amount left after the fair value of the Preferred Shares has been allocated to the debt and compound derivative components and was nil. The host debt component is subsequently carried at amortised cost using the effective interest rate method. The derivative component is subsequently fair valued at each balance sheet date with changes in fair value being reflected in the consolidated income statement.

The Preferred Shares were mandatorily converted into PNM Class A Shares upon the Offering. The carrying values of both the host debt and derivative components were derecognised with a corresponding increase in equity to recognise the issue of PNM Class A Shares upon conversion.

The movements of the carrying values of the host debt and derivative components of the Preferred Shares are as follows:

	As at 30 June 2012 HK\$’000	As at 31 December 2011 HK\$’000 (Audited)
Preferred Shares – initial measurement of host debt	–	215,041
Currency translation differences	–	493
Add: interest accretion during the period/year	–	17,613
Less: conversion into PNM Class A Shares	–	(233,147)
	<hr/>	<hr/>
	–	–
Derivative component – initial measurement	–	192,974
Currency translation differences	–	461
Add: change in fair value during the period/year	–	947,100
Less: conversion into PNM Class A Shares	–	(1,140,535)
	<hr/>	<hr/>
	–	–
Preference share liability	<hr/> –	<hr/> –

- (c) The loans from non-controlling shareholders of a subsidiary are unsecured, interest free and repayable on demand.

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

	Group			
	Carrying amount		Fair value	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Audited)		(Audited)
Secured bank borrowings	611,893	478,480	611,893	478,480
Financial liability at amortised cost	153,588	–	153,588	–
	765,481	478,480	765,481	478,480

21 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at	As at
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
		(Audited)
Accounts payable	218,097	180,724
Other payables and accruals	371,672	326,914
	589,769	507,638

An ageing analysis of accounts payable is set out below:

	As at	As at
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
		(Audited)
0-30 days	126,865	44,239
31-61 days	12,169	43,268
61-90 days	6,603	13,385
91-120 days	4,420	19,613
Over 120 days	68,040	60,219
	218,097	180,724

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

22 SHARE CAPITAL

	Six months ended 30 June 2012		Year ended 31 December 2011	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000 (Audited)
Authorised:				
Ordinary share of HK\$0.1 each	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Beginning of period/year	<u>4,992,985,500</u>	<u>499,298</u>	4,987,031,500	498,703
Exercise of share options	<u>600,000</u>	<u>60</u>	<u>5,954,000</u>	<u>595</u>
End of period/year	<u>4,993,585,500</u>	<u>499,358</u>	<u>4,992,985,500</u>	<u>499,298</u>

23 DISPOSALS OF INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

(a) Disposal of partial interest in PNM

On 12 May 2011, PNM completed the Offering and it was separately listed on the NYSE. Prior to the completion of the Offering, all of the ordinary shares of PNM held by the Company were re-designated as PNM Class B Shares (entitled to 1.3 votes for each share) and all other ordinary shares were re-designated as PNM Class A Shares (entitled to 1 vote for each share).

The Offering was comprised of 11,500,000 American depositary shares (“ADSs”) (representing 92,000,000 new PNM Class A Shares) sold by PNM and 1,267,500 ADSs (representing 10,140,000 existing PNM Class A Shares) sold by Morningside China TMT Fund I, L.P., Intel Capital Corporation and Bertelsmann Asia Investments AG (the “Selling Shareholders”) before the exercise of the over-allotment option and following the exercise of the over-allotment option, an aggregate of 13,415,125 ADSs (representing 107,321,000 new PNM Class A Shares) was issued and sold by PNM, and 1,267,500 ADSs (representing 10,140,000 existing Class A Shares) was sold by the Selling Shareholders. The final offer price of the ADSs was US\$11 (approximately HK\$85.8) per ADS.

During the six months ended 30 June 2011, as a result of the grant of restricted shares, exercise of share options by the option holders, the Offering and the conversion of Preferred Shares (Note 20(b)), the Group’s equity interest in PNM was reduced from 99.27% to 51.63%. As the Group retains control over PNM, the Group recognised a gain on deemed disposal of partial interest in PNM of approximate HK\$1,560,524,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK\$890,629,000.

During the six months ended 30 June 2012, as a result of the grant of restricted shares and exercise of share option by the option holders, the Group’s equity interest in PNM was reduced from 51.63% to 50.71%. As the Group retains control over PNM, the Group recognised a gain in deemed disposal of partial interest in PNM of approximately HK\$35,052,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK\$5,036,000.

(b) Disposal of partial interest in PMM

On 29 May 2011, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Co., Ltd.#) (formerly known as 鳳凰都市(北京)廣告傳播有限公司) (“PMM”) entered into a capital increase agreement (the “Capital Increase Agreement”) with the two controlling shareholders of Regal Fame Investments Limited, three PRC domestic independent investors, certain employees of various members of the Phoenix Metropolis Media Holdings Limited and its subsidiaries, as well as 鳳凰都市文化傳播(北京)有限公司 (Phoenix Metropolis Communication (Beijing) Co., Limited#) (“PMM Communication”). Upon completion of the Capital Increase Agreement, the registered capital of PMM was increased from approximately HK\$48,000,000 to RMB140,000,000 (approximately HK\$164,841,000). As a result of the subscription of the share capital (together with consideration in excess of the registered capital by these investors and employees), the Group’s equity interest in PMM (through PMM Communication) was reduced from 75% to 45.54%.

Notwithstanding the Group owns less than half of the equity interest in PMM subsequent to the capital increase, the Group retains control over PMM as it has the ability to direct the relevant activities of PMM i.e. the activities that significantly affect PMM.

As a result of the capital increase, the Group recognised a gain on deemed disposal of partial interest in PMM of approximately HK\$79,482,000 in the equity attributable to the owners of the Company and an increase in the non-controlling interests of HK\$197,904,000 for the six months ended 30 June 2011.

24 COMMITMENTS

As at 30 June 2012, the Group had capital commitments as follows:

	As at 30 June 2012 HK\$’000	As at 31 December 2011 HK\$’000 (Audited)
Contracted but not provided for:	241,285	307,584
Authorised but not contracted for	284,719	300,350
	526,004	607,934

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	
	<i>Notes</i>	2012	2011
		HK\$'000	HK\$'000
Service charges paid/payable to Satellite Television Asian Region Limited (“STARL”)	<i>a, b</i>	9,838	9,216
Commission for international subscription sales and marketing services paid/payable to STARL	<i>a, c</i>	2,171	1,879
Licence fee paid/payable to NGC Network Asia, LLC (“NGC”)	<i>d, e</i>	585	–
Service charges paid/payable to Fox News Network L.L.C. (“Fox”)	<i>d, f</i>	291	277
Service charges paid/payable to British Sky Broadcasting Limited (“BSkyB”)	<i>g, h</i>	507	518
Service charges received/receivable from China Mobile Communications Corporation and its subsidiaries (“the CMCC Group”)	<i>i, j</i>	82,110	71,250
Service charges paid/payable to the CMCC Group	<i>i, k</i>	39,293	26,004
Advertising sales to the CMCC Group	<i>i, l</i>	25,429	18,489
Film licence fees paid to Fortune Star Entertainment HK Limited (“Fortune Star”)	<i>d, e</i>	597	1,456
Key management compensation	<i>iii</i>	10,759	9,955

Notes:

- (a) STARL, is a wholly-owned subsidiary of Star Group Limited, which owns 100% of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial equity holder of the Company.
- (b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 2 July 2009. The summary of the terms of the service agreement is set out in the announcement of the Company dated 3 July 2009. Either fixed fees or variable fees are charged depending on the type of services utilised.
- (c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2011: 15%) of the subscription fees generated and received by it on behalf of the Group.
- (d) Fox, Fortune Star and NGC are associates of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial equity holder of the Company.

- (e) The license fees are charged in accordance with the agreements with Fortune Star and NGC regarding rights for films and contents respectively.
- (f) Service charges paid/payable to Fox cover the granting of non-exclusive and non-transferable licence to subscribe for Fox's news service provided to the Group which is charged based on the terms specified in a service agreement.
- (g) BSkyB is 39.14% owned by News Corporation, which indirectly owns 100% of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), a substantial equity holder of the Company.
- (h) Service charges paid/payable to BSkyB for encoding and electronic programme guide services provided to the Group which are charged based on terms specified in the service agreements.
- (i) 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.
- (j) Service charges received/receivable from CMCC Group related to wireless income which are charged based on terms specified in the agreements.
- (k) Service charges paid/payable to CMCC Group related to video cost which are charged based on terms specified in the agreements.
- (l) 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.
- (ii) Period/year end balances arising from related parties transactions as disclosed in Note 25(i) above were as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Audited)
Amounts due from related companies	112,122	93,466
Amounts due to related companies	(597)	(1,637)

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

- (iii) Key management compensation

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Salaries	6,999	6,445
Quarters and housing allowance	3,060	2,865
Pension fund	700	645
	10,759	9,955

26 SUBSEQUENT EVENTS

On 30 July 2012, PNM's board of directors approved a share repurchase program. Under the terms of the approved program, PNM may repurchase up to US\$20 million (approximately HK\$155 million) worth of its outstanding ADSs from time to time for a period not to exceed twelve months. The repurchases may be made in the open market at prevailing market prices or through privately negotiated transactions, including block trades. The timing and extent of any repurchases will depend on market conditions, the trading price of PNM's ADSs and other factors. The plan will be implemented in compliance with relevant United States securities rules and regulations and PNM's securities trading policy, in a manner that is consistent with the interests of PNM's shareholders. PNM's board of directors will review the share repurchase program periodically and may authorise adjustment of its terms and size accordingly. PNM expects to fund the repurchases made under this program from its existing cash balance.

27 COMPARATIVE FIGURES

Certain of the 2011 comparative figures have been reclassified from operating expense to revenue to conform to the current year's presentation.

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

Hong Kong, 17 August 2012

As at the date of this announcement, the Board 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. GAO Nianshu; Mr. SHA Yuejia; Mr. Jan KOEPPEN; Mr. CHEUNG Chun On, Daniel and Mr. GONG Jianzhong

Independent Non-executive Directors

Dr. LO Ka Shui; Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK

Alternate Directors

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

For identification only