鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02008)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2010 was 71.0% higher than the previous year, reaching approximately HK$2,598,314,000.
- The profit attributable to owners of the Company increased to approximately HK$421,822,000, which was a 40.7% improvement over the profit achieved in 2009.
- The Board recommended a final dividend of 3.3 Hong Kong cents per share.

RESULTS

The Group's revenue for the year ended 31 December 2010 was approximately HK$2,598,314,000, which represented a 71.0% increase over the revenue earned in 2009. The main drivers behind this result were the growth in broadcasting advertising, outdoor advertising and new media revenue. Total operating costs increased by 57.0% to approximately HK$1,875,358,000. The upward movement in operating costs was mainly due to the expansion of the new media and outdoor media businesses.

The Group's operating profit for the year ended 31 December 2010 was approximately HK$722,956,000, which represented an increase of 122.4% over the same period of the previous year. Profit attributable to owners of the Company was approximately HK$421,822,000, which was an increase of 40.7% compared with the same period last year. The operating profit was mainly generated by the increases in broadcasting, new media and outdoor advertising revenues.

Convertible Series A Preferred Shares ("Preferred Shares") were issued by Phoenix New Media Limited, an indirectly-owned subsidiary of the Company, in November 2009. In accordance with Hong Kong Accounting Standard 39, the Preferred Shares represent a compound financial instrument with debt and derivative components. Interest accretion of preference share liability's debt component included under other expenses for the year was approximately HK$41,577,000 (for the year ended 31 December 2009: HK$3,781,000). 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 fair value of the derivative component for the year is increased by HK$169,087,000 (for the year ended 31 December 2009: Nil), this is also reflected as other expenses in the consolidated income statement for the year. Please refer to note 13 of the notes to the consolidated financial information for details of the preference share liability. Other income mainly comprised a fair value gain of approximately HK$21,979,000 (for the year ended 31 December 2009: HK$37,176,000) which was recognized for the investment property under construction in Beijing.

The chart presented below compares the Group's performance for the year ended 31 December 2010 with that for the 2009 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**1,217,588**	979,427
Phoenix InfoNews Channel	**321,658**	232,894
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others	**139,937**	108,711
New media	**593,380**	70,438
Outdoor media	**268,210**	72,066
Other businesses	**57,541**	56,112
Group's total revenue	**2,598,314**	1,519,648
Operating costs	**(1,875,358)**	(1,194,538)
Profit from operations	**722,956**	325,110
Other (expenses) / income, net	**(168,246)**	54,367
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	**554,710**	379,477
Share of losses of jointly controlled entities and an associate	**(1,796)**	(755)
Income tax expense	**(108,490)**	(76,735)
Non-controlling interests	**(22,602)**	(2,241)
Profit attributable to owners of the Company	**421,822**	299,746
Basic earnings per share, Hong Kong cents	**8.46**	6.05

BUSINESS OVERVIEW AND PROSPECTS

The Group's performance during the 2010 financial year has been extremely positive, with a 71.0% increase in revenue over the same period last year. The fact that this outcome follows a good performance in 2009, when revenue grew by 9.9%, underscores that the Group's business model is very effective in the current international economic environment.

This period's extremely positive results came from both a major increase in revenue for the core television business, but also a dramatic increase in the revenue being generated by the new areas into which the Group has been expanding in recent years, namely the new media and the outdoor advertising LED businesses.

The Group's new media operations secured an enormous growth in revenue, with an eight-fold increase in income over the previous year. In part this was a consequence of the Group acquiring access to the revenue flow of two controlled entities which carry out much of the new media business, but it is also an outcome that reflects the growing popularity and availability of the internet in mainland China. The Phoenix new media carries much Phoenix programming, and thus expands the availability of Phoenix programming to an audience that previously did not have access to the normal distribution systems in China and internationally, and by doing so greatly consolidates the Phoenix brand name. The Company's management is exploring the possibility of the new media business offering its own shares. The Group expects that, in such an event, it would retain an equity and voting interest of over 50% in the listed company, and continue to consolidate the financial results of the new business.

The Group's outdoor LED advertising project has also generated a considerable increase in revenue, with the income from this new business area growing more than three times compared to the last financial year.

The Group's core television business also continued to increase its revenue. The Chinese Channel's income increased by some 24%, while the InfoNews Channel's income grew by some 38%, underscoring the demand of the Chinese audience for comprehensive and objective international news. InfoNews covered the major news stories that broke during the year, including the massive earthquake that hit Haiti in January, the sinking of the South Korean naval vessel Cheonan and the subsequent tensions on the Korean Peninsula including the North Korean shelling of Yeonpyeongdo Island, the severe floods that hit many parts of southern and western China and the earthquake in Yushu, the at times highly controversial negotiation of the Economic Cooperation Framework Agreement between Taiwan and the mainland, the killing of a group of Hong Kong tourists in Manila, the rescue of miners trapped underground in Chile, and the Burmese elections, which were the first elections for 20 years.

The major growth of revenue from the new media and the outdoor advertising businesses underscores that the Group's strategy to expand beyond the core television business into other areas is well based. The substantial growth in the income of the television business confirms the value of television as the central component of the Group's activities, but the marked improvement in both the new media and the outdoor advertising revenues demonstrates that the Group is successfully expanding its commercial base and consequently developing a broad foundation that should help ensure long-term commercial viability.

In keeping with the management's confidence that its strategy of business development is well attuned to current trends, the Group will be launching a Hong Kong Channel in late March. This channel will broadcast in Cantonese, and serve the Cantonese-speaking Chinese audience in Hong Kong, Guangdong Province and other Asia Pacific countries. This new channel will place a strong emphasis on news and economic and commercial information.

The Group's strong performance reflects the fact that the Chinese economy has weathered the Global Financial Crisis, and that many companies are now actively seeking to build their brand names and images after the period of caution caused by negative global trends. Commentary by marketing analysts has identified a general growth in advertising expenditure as the international economy recovers from the financial challenges of the last three years, which means that the Phoenix performance over this period probably reflects a broader trend. The mainland advertising market underwent a significant change during the course of the year, however, when the State Administration of Radio, Film and Television introduced a regulation that limited the amount of time that could be devoted to advertising each hour. This prompted many mainland-based television broadcasters to increase the cost of advertising, but also led to foreign-based satellite broadcasters such as Phoenix being increasingly sought after by advertisers who want to make maximum use of satellite TV stations that are not bound by the new regulations.

While the Group's excellent results might be the consequence of the recovery of the international economy, the fact that this year's results follow a positive performance in the previous year represents encouraging evidence that the Phoenix model should continue to function well as the current economic environment continues to evolve.

COMMENTS ON SEGMENTAL INFORMATION

	Year ended 31 December			
	2010		2009	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Phoenix Chinese Channel	**1,217,588**	**735,753**	979,427	528,306
Phoenix InfoNews Channel	**321,658**	**72,273**	232,894	11,378
Other channels	**139,937**	**29,755**	108,711	(10,446)
New Media	**593,380**	**(125,776)**	70,438	21,317
Outdoor media	**268,210**	**55,585**	72,066	(34,451)
Other businesses	**57,541**	**20,536**	56,112	38,987
Group's total revenue and segment results	**2,598,314**	**788,126**	1,519,648	555,091
Unallocated income		**12,103**		12,672
Unallocated expenses		**(245,519)**		(188,286)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		**554,710**		379,477

Revenues from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 64.6% of the Group's total revenue for the year ended 31 December 2010, increased by 27.1% to approximately HK$1,679,183,000 (year ended 31 December 2009: HK$1,321,032,000). The segmental result for television broadcasting recorded a profit of approximately HK$837,781,000 for the year ended 31 December 2010 (year ended 31 December 2009: HK$529,238,000).

The Group's flagship channel, Phoenix Chinese Channel, accounted for 46.9% of the Group's total revenue for the year ended 31 December 2010 and showed an increase of 24.3% to approximately HK$1,217,588,000 (year ended 31 December 2009: HK$979,427,000). Phoenix InfoNews Channel's revenue accounted for 12.4% of the Group's total revenue for the year, and increased by 38.1% to approximately HK$321,658,000 (year ended 31 December 2009: HK$232,894,000).

The total revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 28.7% as compared to the year ended 31 December 2009 to approximately HK$139,937,000 (year ended 31 December 2009: HK$108,711,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contribute to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year increased to HK$593,380,000 (year ended 31 December 2009: HK$70,438,000). The segmental loss of new media after deduction of interest accretion and changes in fair value of the preference share liability was HK$125,776,000 (year ended 31 December 2009: profit 21,317,000). The profit from operations, which represents profit before tax, interest expense and changes in fair value of preference share liability, of new media increased to HK$84,888,000 (year ended 31 December 2009: HK$25,098,000). The significant increase in new media operations was due to the expansion of business which included acquiring control over two mainland companies at the end of year 2009.

Following the maturity of the outdoor media business, the revenue and segmental profit increased to approximately HK$268,210,000 and HK$55,585,000 respectively (year ended 31 December 2009: Revenue HK$72,066,000 and segmental loss HK$34,451,000).

Please refer to note 5 of the notes to the consolidated financial information for a detailed analysis of segmental information and the "Business Overview and Prospects" in this announcement for commentary on our core business.

DIVIDEND

The board ("Board") of directors of the Company (the "Directors") has decided to recommend a final dividend of 3.3 Hong Kong cents per ordinary share for the year ended 31 December 2010 (year ended 31 December 2009: 2 Hong Kong cents per ordinary share). Upon approval by the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 30 June 2011 to shareholders whose names appear on the register of members of the Company on 17 June 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at No. 2–6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 17 June 2011 at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 June 2011 to Friday, 17 June 2011, both dates inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m, on Friday, 10 June 2011.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2010 remained solid. The aggregate outstanding borrowings of the Group as at 31 December 2010 were approximately HK$664,478,000 (as at 31 December 2009: HK$254,227,000), representing current accounts with related companies which were unsecured and non-interest bearing, secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing and preference share liability.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 62.0% as at 31 December 2010 (as at 31 December 2009: 35.9%). The net debt to equity ratio, based on total liabilities less cash and cash equivalents to equity attributable to owners of the Company, was 2.5% as at 31 December 2010 (as at 31 December 2009: 0.5%). The increase in the gearing ratio was a consequence of the increase in preference share liability, accounts payable, other payables and accruals and the secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

Save as disclosed above, the financial position of the Group has remained liquid. As most of the Group's monetary assets 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 31 December 2010, deposits of approximately HK$3,146,000 (as at 31 December 2009: HK$3,269,000) were pledged with banks to secure guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK$115 million, HK$92 million and HK$371 million (as at 31 December 2009: HK$93 million, HK$26 million and HK$218 million) recorded in lease premium for the land, the construction in progress and the investment property under construction respectively were pledged with a bank to secure bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing.

Other than the above, the Group did not have any other charges on its assets as at 31 December 2010 and 31 December 2009.

CAPITAL STRUCTURE

During the year ended 31 December 2010, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2010, the Group's operations were mainly financed by owners' equity and bank borrowings and banking facilities.

STAFF

As at 31 December 2010, the Group employed 1,897 full-time staff (31 December 2009: 1,498), 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 year ended 31 December 2010 increased to approximately HK$553,965,000 (year ended 31 December 2009: HK$376,440,000).

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 31 December 2010 the Group invested in listed security investments with an estimated fair market value of approximately HK$24,330,000 (as at 31 December 2009: HK$53,824,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2010.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

As at 31 December 2010, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

Banking facilities amounting to approximately HK$352,117,000 (as at 31 December 2009: HK$536,779,000) represent utilities deposits and bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. Deposits of approximately HK$3,146,000 (as at 31 December 2009: HK$3,269,000) were pledged with banks to secure banking guarantees given to the landlord of a subsidiary. The land in Chaoyang Park together with the development site, with carrying values of approximately HK$115 million, HK$92 million and HK$371 million (as at 31 December 2009: HK$93 million, HK$26 million and HK$218 million) recorded in lease premium for land, construction in progress and investment property under construction 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 had no material contingent liabilities as at 31 December 2010 and 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

AUDIT COMMITTEE

The audit committee has reviewed the Group's annual results for the year ended 31 December 2010 and provided advice and comments thereon before such statements were presented to the Board for approval. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by Group's auditor, PricewaterhouseCoopers, to be the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this preliminary announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control processes.

Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2010, complied with the Code.

Distinctive Roles of Chairman and Chief Executive Officer

Code Provisions

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

Deviation and its Reasons

Mr. LIU Changle has continually served as both the chairman 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 entered into a 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.

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

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

Appointments, Re-election and Removal

Code Provisions

Under the Code, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) 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 its 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 has adopted the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the year ended 31 December 2010.

PUBLICATION OF RESULTS ANNOUNCEMENTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk, the Company's website at www.ifeng.com and the professional investor relation website at www.irasia.com/listco/hk/phoenixtv. The 2010 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2011.

On behalf of the Board
LIU Changle
Chairman

8 March 2011

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are pleased to announce the consolidated results of the Group for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 $'000 (Note 15)
Revenue	*3*	**2,598,314**	1,519,648
Operating expenses	*6*	**(1,560,113)**	(992,155)
Selling, general and administrative expenses	*6*	**(315,245)**	(202,383)
Other (expenses)/income			
Interest (expenses)/income, net	*4*	**(34,170)**	1,362
Other (losses)/gains, net			
– fair value loss on preference share liability-derivative component	*13(b)*	**(169,087)**	–
– others	*3*	**35,011**	53,005
Share of (loss)/gain of jointly controlled entities		**(1,794)**	71
Share of loss of an associate		**(2)**	(826)
Profit before income tax		**552,914**	378,722
Income tax expense	*7*	**(108,490)**	(76,735)
Profit for the year		**444,424**	301,987
Attributable to:			
Owners of the Company		**421,822**	299,746
Non-controlling interests		**22,602**	2,241
		444,424	301,987
Earnings per share for profit attributable to owners of the Company during the year			
Basic earnings per share, Hong Kong cents	*8*	**8.46**	6.05
Diluted earnings per share, Hong Kong cents	*8*	**7.83**	5.93
Dividends	*9*	**164,572**	99,403

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	2010 *$'000*	2009 *$'000*
Profit for the year	**444,424**	301,987
Other comprehensive income		
Currency translation differences	**19,500**	788
Total comprehensive income for the year	**463,924**	302,775
Total comprehensive income attributable to:		
Owners of the Company	**441,322**	300,534
Non-controlling interests	**22,602**	2,241
	463,924	302,775

CONSOLIDATED BALANCE SHEET
As at 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net		**26,631**	23,099
Lease premium for land		**239,300**	220,236
Property, plant and equipment, net		**904,342**	760,243
Investment property under construction		**371,138**	217,657
Intangible assets		**18,473**	21,169
Investments in jointly controlled entities		**10,846**	6,922
Investment in an associate		**4,736**	4,738
Available-for-sale financial assets		**962**	962
Other long-term assets		**30,672**	23,810
Deferred income tax assets		**13,225**	13,432
		1,620,325	1,292,268
Current assets			
Accounts receivable, net	*11*	**211,416**	86,497
Prepayments, deposits and other receivables		**471,555**	452,360
Inventories		**6,658**	3,994
Amounts due from related companies		**29,705**	27,495
Self-produced programmes		**8,253**	2,254
Purchased programme and film rights, net		**4,069**	4,134
Financial assets at fair value through profit or loss	*10*	**24,330**	53,824
Prepaid profit tax		**–**	5,648
Bank deposits		**113,280**	117,616
Restricted cash		**23,790**	21,607
Cash and cash equivalents		**1,312,502**	649,245
		2,205,558	1,424,674
Total assets		**3,825,833**	2,716,942

	Note	2010 $'000	2009 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**498,703**	497,014
Reserves			
Proposed final dividend		**164,572**	99,403
Others		**1,543,803**	1,234,875
		2,207,078	1,831,292
Non-controlling interests		**250,213**	227,611
Total equity		**2,457,291**	2,058,903
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**653,106**	242,826
Investment deposits	*14*	**52,520**	–
Deferred income tax liabilities		**47,699**	46,874
		753,325	289,700
Current liabilities			
Accounts payable, other payables and accruals	*12*	**410,570**	243,512
Deferred income		**141,789**	113,426
Amounts due to related companies		**11,372**	11,401
Current income tax liabilities		**51,536**	–
		615,267	368,339
Total liabilities		**1,368,592**	658,039
Total equity and liabilities		**3,825,883**	2,716,942
Net current assets		**1,590,291**	1,056,335
Total assets less current liabilities		**3,210,566**	2,348,603

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010
(Amounts expressed in Hong Kong dollars)

	Attributable to owners of the Company							
	Share capital *$'000*	Share premium *$'000*	Statutory reserve *$'000* *(Note)*	Exchange reserve *$'000*	Employee share-based payment reserve *$'000*	Retained earnings *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Balance at 1 January 2009	495,441	579,844	5,361	22,716	10,151	492,102	223,826	1,829,441
Comprehensive income								
Profit for the year	–	–	–	–	–	299,746	2,241	301,987
Other comprehensive income								
Currency translation differences	–	–	–	788	–	–	–	788
Total comprehensive income	–	–	–	788	–	299,746	2,241	302,775
Transactions with owners								
Share option scheme								
– value of employee services	–	–	–	–	1,986	–	–	1,986
– recognition of shares issued on exercise of options	1,573	16,465	–	–	(552)	–	–	17,486
Dividends related to 2008	–	(94,134)	–	–	–	–	–	(94,134)
Exercise of share options of a subsidiary	–	–	–	–	(195)	–	694	499
Contributions from non-controlling shareholders	–	–	–	–	–	–	850	850
Allocation to statutory reserve	–	–	2,115	–	–	(2,115)	–	–
Total transactions with owners	1,573	(77,669)	2,115	–	1,239	(2,115)	1,544	(73,313)
Balance at 31 December 2009	497,014	502,175	7,476	23,504	11,390	789,733	227,611	2,058,903

		Attributable to owners of the Company							
	Note	**Share capital** *$'000*	**Share premium** *$'000*	**Statutory reserve** *$'000* *(Note)*	**Exchange reserve** *$'000*	**Employee share-based payment reserve** *$'000*	**Retained earnings** *$'000*	**Non-controlling interests** *$'000*	**Total equity** *$'000*
Balance at 1 January 2010		497,014	502,175	7,476	23,504	11,390	789,733	227,611	2,058,903
Comprehensive income									
Profit for the year		–	–	–	–	–	421,822	22,602	444,424
Other comprehensive income									
Currency translation differences		–	–	–	19,500	–	–	–	19,500
Total comprehensive income		–	–	–	19,500	–	421,822	22,602	463,924
Transactions with owners									
Share option scheme									
– value of employee services		–	–	–	–	15,437	–	–	15,437
– recognition of shares issued on exercise of options		1,689	17,596	–	–	(553)	–	–	18,732
Dividends related to 2009	*9*	–	(99,705)	–	–	–	–	–	(99,705)
Allocation to statutory reserve		–	–	2,423	–	–	(2,423)	–	–
Total transactions with owners		1,689	(82,109)	2,423	–	14,884	(2,423)	–	(65,536)
Balance at 31 December 2010		498,703	420,066	9,899	43,004	26,274	1,209,132	250,213	2,457,291

Note: The statutory reserve of the Group refers to the 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.

NOTES

(Amounts expressed in Hong Kong dollars)

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in 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") since December 2008 prior to which, it was listed on the Growth Enterprise Market of the Stock Exchange.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property under construction, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Hong Kong Institute of Certified Public Accountants has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group but have no significant impact on the Group's financial statements:

HKFRS 3 (revised) "Business combinations"
HKAS 27 (revised) "Consolidated and separate financial statements"
HKAS 39 (revised) "Eligible hedge items"
HK – Int 5 "Presentation of Financial Statements – classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"
HK (IFRIC) – Int 17 "Distribution of non-cash assets to owners"
HK (IFRIC) – Int 8 "Transfers of assets from customers"
Improvements to HKFRS

Amendments have been made to the following standards:

- HKFRS 2 Share-based Payment
- HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- HKFRS 8 Operating Segments
- HKAS 1 Presentation of Financial Statements
- HKAS 7 Cash Flow Statements
- HKAS 17 Leases
- HKAS 18 Revenue
- HKAS 27 Consolidated and Separate Financial Statements
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets
- HKAS 39 Financial Instruments: Recognition and Measurement
- HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC) – Int 16 Hedges of a Net Investment in a Foreign Operation

3. REVENUE AND OTHER EXPENSE/INCOME

The Group is principally engaged in satellite television broadcasting activities. An analysis of the Group's revenue and other income by nature is as follows:

	2010	2009
	$'000	*$'000*
Revenue		
Advertising sales		
Television broadcasting	**1,602,191**	1,254,526
Internet	**268,727**	–
Outdoor media	**268,210**	72,066
Mobile, video and wireless value added services income	**324,653**	–
Subscription sales	**76,234**	65,232
Magazine advertising and subscription or circulation sales	**47,043**	42,427
Technical services income	**–**	70,438
Others	**11,256**	14,959
	2,598,314	1,519,648
Other (losses)/gains, net		
Overprovision of reinstatement cost	**–**	1,872
Exchange gain/(loss), net	**7,753**	(357)
Investment income	**3,355**	2,100
Fair value (loss)/gain on financial assets designated at fair value through profit or loss (realised and unrealised)	**(6,187)**	3,302
Gain on revaluation of investment property under construction	**21,979**	37,176
Gain on acquisition of a subsidiary	**–**	2,371
Service charges received from a related party	**978**	1,233
Others, net	**7,133**	5,308
	35,011	53,005
	2,633,325	1,572,653

4. INTEREST (EXPENSES)/INCOME, NET

	2010	2009
	$'000	*$'000*
Interest expense:		
– Secured bank borrowings	**(10,165)**	(1,002)
– Preferred shares liability	**(41,577)**	(3,781)
	(51,742)	(4,783)
Less: amounts capitalised on qualifying assets	**10,165**	1,002
Total interest expense	**(41,577)**	(3,781)
Interest income on bank deposits	**7,407**	5,143
Interest (expenses)/income – net	**(34,170)**	1,362

5. SEGMENT INFORMATION

The Group has four main reportable 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 Entertainment Channels and others.

(ii) New media – provision of website portal and value-added telecommunication services;

(iii) Outdoor media – provision of outdoor advertising services; and

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

	Year ended 31 December 2010							
	Television broadcasting							
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue								
External sales	1,539,246	139,937	1,679,183	593,380	268,210	57,541	–	2,598,314
Inter-segment sales	209	4,805	5,014	14,366	210	37,054	(56,644)	–
Total revenue	1,539,455	144,742	1,684,197	607,746	268,420	94,595	(56,644)	2,598,314
Segment results	808,026	29,755	837,781	(125,776)	55,585	20,536	–	788,126
Unallocated income *(Note a)*								12,103
Unallocated expenses *(Note b)*								(245,519)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								554,710
Share of losses of jointly controlled entities								(1,794)
Share of loss of an associate								(2)
Income tax expense								(108,490)
Profit for the year								444,424
Non-controlling interests								(22,602)
Profit attributable to owners of the Company								421,822
Depreciation	(58,500)	(1,165)	(59,665)	(8,800)	(17,634)	(1,316)	–	(87,415)
Unallocated depreciation								(22,029)
								(109,444)

	Year ended 31 December 2009							
	Television broadcasting							
	Primary channels *$'000* *(Note 15)*	Others *$'000* *(Note 15)*	Sub-total *$'000*	New media *$'000*	Outdoor media *$'000*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue								
External sales	1,212,321	108,711	1,321,032	70,438	72,066	56,112	–	1,519,648
Inter-segment sales	–	299	299	–	–	27,971	(28,270)	–
Total revenue	1,212,321	109,010	1,321,331	70,438	72,066	84,083	(28,270)	1,519,648
Segment results	539,684	(10,446)	529,238	21,317	(34,451)	38,987	–	555,091
Unallocated income *(Note a)*								12,672
Unallocated expenses *(Note b)*								(188,286)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								379,477
Share of profits of jointly controlled entities								71
Share of loss of an associate								(826)
Income tax expense								(76,735)
Profit for the year								301,987
Non-controlling interests								(2,241)
Profit attributable to owners of the Company								299,746
Depreciation	(43,702)	(1,665)	(45,367)	(5,375)	(7,917)	(987)	–	(59,646)
Unallocated depreciation								(15,515)
								(75,161)

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.

The entity is domiciled in Hong Kong. The geographical distribution of its revenue from external customers and total assets by geographical location are as follows:

	Year ended 31 December 2010	
	Revenue	**Total Assets**
	$'000	***$'000***
The People's Republic of China	**2,466,065**	**1,776,809**
Hong Kong	**37,106**	**1,997,343**
Others	**95,143**	**51,731**
	2,598,314	**3,825,883**

	Year ended 31 December 2009	
	Revenue	Total Assets
	$'000	*$'000*
The People's Republic of China	1,385,711	1,118,473
Hong Kong	33,401	1,552,136
Others	100,536	46,333
	1,519,648	2,716,942

6. PROFIT BEFORE INCOME TAX

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

	2010	2009
	$'000	*$'000*
Crediting		
Reversal of previously written-off accounts receivable	**–**	441
Reversal of provision for impairment of accounts receivable	**1,155**	4,574
Reversal of previously written off prepayments, deposits and other receivables	**–**	794
Reversal of provision of internet service fee	**–**	3,671
Charging		
Amortisation of purchased programme and film rights	**23,150**	29,546
Production costs of self-produced programmes	**134,531**	128,303
Commission expenses	**296,229**	245,945
Transponder rental	**25,405**	26,753
Provision for impairment of accounts receivable	**686**	2,899
Employee benefit expenses (including Directors' emoluments)	**553,965**	376,440
Operating lease rental in respect of		
– Directors' quarters	**1,445**	1,430
– Land and buildings of third parties	**27,000**	19,889
Loss on disposal of property, plant and equipment	**658**	206
Depreciation	**109,444**	75,161
Amortisation of lease premium for land	**2,744**	2,494
Auditor's remuneration	**3,244**	3,040
Services charges paid to related parties	**20,404**	32,399

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010	2009
	$'000	*$'000*
Current income tax		
– Hong Kong profits tax	**104,853**	48,133
– Overseas taxation	**7,781**	2,230
– (Over)/under provision of Hong Kong profits tax in the prior year	**(4,672)**	2,975
Deferred income tax	**528**	23,397
	108,490	76,735

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fees collected from Shenzhou Television Company Ltd. in the PRC (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

8. EARNINGS PER SHARE

Basic

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

	2010	2009
Profit attributable to owners of the Company *($'000)*	**421,822**	299,746
Weighted average number of ordinary shares in issue *('000)*	**4,985,237**	4,957,409
Basic earnings per share *(Hong Kong cents)*	**8.46**	6.05

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary, 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. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share.

	2010	2009
Profit attributable to owners of the Company *($'000)*	**421,822**	299,746
Adjustment for share options of the Company and a subsidiary and preference shares issued by a subsidiary *($'000)*	**(31,186)**	(5,261)
Profit attributable to owners of the Company used to determine diluted earnings per share *($'000)*	**390,636**	294,485
Weighted average number of ordinary shares in issue *('000)*	**4,985,237**	4,957,409
Adjustment for share options of the Company *('000)*	**6,580**	4,728
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,991,817**	4,962,137
Diluted earnings per share *(Hong Kong cents)*	**7.83**	5.93

9. DIVIDENDS

The 2009 final dividends paid during the year ended 31 December 2010 were HK$99,705,000 (2 Hong Kong cents per share). The directors recommend the payment of a final dividend of 3.3 Hong Kong cents per ordinary share, totalling HK$164,572,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 June 2011. These financial statements do not reflect this dividend payable.

	2010	2009
	$'000	*$'000*
Proposed final dividend of 3.3 Hong Kong cents (2009: 2 Hong Kong cents) per share	**164,572**	99,403

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	$'000	*$'000*
Investments at fair value	**24,330**	53,824

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

As at 31 December 2010, the financial assets at fair value through profit and loss represent the shares of HSBC Holdings PLC ("HSBC") of HK$24,330,000 (2009: HK$27,291,000).

During the year, the commodity index participation note was redeemed at maturity.

11. ACCOUNTS RECEIVABLE, NET

	2010	2009
	$'000	*$'000*
Accounts receivable	**213,093**	89,656
Less: Provision for impairment of receivables	**(1,677)**	(3,159)
	211,416	86,497

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group. The Group generally requires its advertising customers to pay in advance.

At 31 December 2010, the aging analysis of the accounts receivable from customers was as follows:

	2010	2009
	$'000	*$'000*
0-30 days	**100,055**	41,404
31-60 days	**48,719**	15,773
61-90 days	**24,618**	15,653
91-120 days	**16,825**	5,536
Over 120 days	**22,876**	11,290
	213,093	89,656
Less: Provision for impairment of receivables	**(1,677)**	(3,159)
	211,416	86,497

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

	2010	2009
	$'000	*$'000*
RMB	**197,387**	74,020
US$	**9,657**	10,676
UK pound	**6,049**	4,960
	213,093	89,656

12. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2010	2009
	$'000	*$'000*
Accounts payable	**144,272**	86,692
Other payables and accruals	**266,298**	156,820
	410,570	243,512
Less: non-financial liabilities	**(9,177)**	(3,338)
	401,393	240,174

At 31 December 2010, the aging analysis of the accounts payable was as follows:

	2010	2009
	$'000	*$'000*
0-30 days	**52,252**	40,186
31-60 days	**13,964**	9,812
61-90 days	**8,011**	861
91-120 days	**5,558**	2,262
Over 120 days	**64,487**	33,571
	144,272	86,692

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

	2010	2009
	$'000	*$'000*
HK$	**108,378**	93,858
RMB	**284,625**	139,659
US$	**5,207**	3,869
UK pound	**2,781**	2,285
Others	**402**	503
	401,393	240,174

13. BORROWINGS

	2010	2009
	$'000	*$'000*
Secured bank borrowings *(Note a)*	**245,091**	45,488
Preference share liability *(Note b)*	**408,015**	197,338
	653,106	242,826

(a) Borrowings

Bank borrowings denominated in RMB mature on 26 July 2012 and bear average coupons of 5.4% annually (2009: 5.4%).

Bank borrowings are secured by the land in Chaoyang Park, with carrying values of approximately HK$115 million (2009: HK$93 million), HK$92 million (2009: HK$26 million) and HK$371 million (2009: HK$218 million) recorded in lease premium for land, construction in progress and investment property under construction, respectively.

(b) Preference share liability

Phoenix New Media Limited ("PNM"), a 99.27% indirectly-owned subsidiary of the Company, entered into the preferred shares purchase agreement 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 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.

	2010	2009
	$'000	*$'000*
Preferred Shares – opening balance	**173,404**	169,623
Currency translation differences	**60**	–
Add: interest accretion during the period	**41,577**	3,781
Preferred Shares – closing balance	**215,041**	173,404
Derivative component – opening balance	**23,934**	23,934
Currency translation differences	**(47)**	–
Add: change in fair value during the year	**169,087**	–
Derivative component – closing balance	**192,974**	23,934
Preference share liability	**408,015**	197,338

14. INVESTMENT DEPOSITS

During the year, the Group entered into framework agreements with three investors in respect of their investment into Phoenix Metropolis Media (Beijing) Company Limited ("PMM Beijing"), a 75% indirectly owned subsidiary of the Group engaged in the outdoor media business. Under the agreements, the three investors would contribute RMB194,000,000 into PMM Beijing in return for an approximately 28.6% interest in PMM Beijing. As at 31 December 2010, PMM Beijing had received approximately HK$53,000,000 from the investors as investment deposits. Further investment deposits of HK$84,000,000 were received subsequent to year end in accordance with the terms of the agreements. The investment by the three investors must be completed by 30 June 2011 or the investment deposits will have to be returned to the investors in accordance with the terms of the framework agreements.

15. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the current year's presentation.

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

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

Non-executive Directors
Mr. 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)