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 2011

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue and operating profit for the year ended 31 December 2011 were approximately HK$3,639,445,000 and HK$912,349,000 respectively, which represented an increase of respectively 41.9% and 26.2% over the same period last year.

- Non-GAAP profit attributable to owners of the Company, which included the gain on deemed disposal of partial interests in the new media and the outdoor media, increased to approximately HK$1,564,386,000 from HK$421,822,000 in last year. Please refer to the chart on page 4 for details.

- Loss attributable to owners of the Company after charging the non-cash fair value loss and interest accretion of PNM's Preferred Shares was improved by approximately HK$473,089,000 in the second half year of 2011 to approximately HK$66,885,000.

- The Board recommended a final dividend of 4.2 Hong Kong cents per share. Together with the special dividend of 3.8 Hong Kong cents per share, there is an aggregate distribution of 8 Hong Kong cents per share for the year of 2011.

RESULTS

The chart below summarises the Group's revenue, operating costs, profit from operations and profit/(loss) attributable to owners of the Company for the six months ended 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 respectively. By presenting the Group's performance in each six-month period over the previous two years, it is clear that there is a healthy and continuous upward trend in the Group's operations.

	Six months ended			
	31 December 2011	30 June 2011	31 December 2010	30 June 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,099,298**	1,540,147	1,476,260	1,089,130
Operating costs	**(1,470,125)**	(1,256,971)	(1,018,814)	(823,620)
Profit from operations	**629,173**	283,176	457,446	265,510
Profit/(loss) attributable to owners of the Company	**473,089**	(539,974)	231,110	190,712

The Group's revenue for the six months ended 31 December 2011 increased to HK$2,099,298,000 which represented a 42.2% and 36.3% growth over the revenue of the same period last year and first half year of 2011 respectively. The profit from operations reached the record high of HK$629,173,000 for the six months of 31 December 2011, which represented a 37.5% and 122.2% growth over the revenue of the same period last year and first half year of 2011 respectively. As a consequence of characteristic of advertising sales, the performance of the second half of the year surpasses that of the first half of the year. The main drivers behind this result were the growth in revenue from new media, outdoor media and broadcasting advertising. A loss attributable to owners of the Company is recorded for the six months ended 30 June 2011 after charging the non-cash fair value loss and interest accretion of the Preferred Shares issued by Phoenix New Media Limited ("PNM"), an indirect non-wholly owned subsidiary of the Company, in accordance with the Hong Kong Generally Accepted Accounting Principles ("GAAP").

The Group's revenue for the year ended 31 December 2011 was approximately HK$3,639,445,000, which represented a 41.9% increase over the revenue earned in the previous year. Operating costs increased by 48.0% to approximately HK$2,727,096,000. The upward movement in operating costs was mainly due to the expansion of the new media and the outdoor media businesses.

The Group's operating profit for the year ended 31 December 2011 was approximately HK$912,349,000, which represented an increase of 26.2% over the previous year. The Non-GAAP profit attributable to owners of the Company, which included the gain on deemed disposal of partial interests in both the new media and the outdoor media, increased to approximately HK$1,564,386,000 from HK$421,822,000 in the previous year.

The spin-off of PNM through a separate listing on the New York Stock Exchange ("NYSE") in May 2011 has provided the Group a "gain on deemed disposal". However, as PNM remains a non-wholly owned subsidiary of the Company after its spin-off and separate listing, according to the existing GAAP, such "gain on deemed disposal" will only be reflected directly in equity instead of in the consolidated income statement for the year. The Group recognised a gain on deemed disposal of partial interest in PNM of approximately HK$1,563,711,000 in the equity attributable to owners of the Company during the year ended 31 December 2011.

All convertible Series A Preferred Shares ("Preferred Shares") issued in November 2009 by PNM to three independent investors – the US-based Intel Capital Corporation, the Swiss-based Bertelsmann Asia Investments AG, and the Hong Kong-owned company Morningside China TMT Fund I, L.P. – were converted into Class A ordinary shares of PNM on the eve of the listing of PNM in accordance with the terms of the agreements with these three investors. The fair value of the derivative component of the Preferred Shares up to the date of conversion increased by HK$947,100,000 (year ended 31 December 2010: HK$169,087,000), and this non-cash fair value loss was reflected in the consolidated income statement for the year. Interest accretion of the debt component of the Preferred Shares, which was included under finance income/(costs), net for the year ended 31 December 2011, was approximately HK$17,613,000 (for the year ended 31 December 2010: HK$41,577,000). As all Preferred Shares were converted at the time of listing, there will not be any non-cash fair value gain/loss or interest accretion in the future. Please refer to note 13(b) to the consolidated financial information for details of the preference share liability.

In May 2011, Phoenix Metropolis Media Technology Co., Ltd. ("PMM Beijing"), formerly known as Phoenix Metropolis Media (Beijing) Company Limited, entered into a capital increase agreement with independent investors and other parties and this has also provided the Group a "gain on deemed disposal". In November 2011, PMM Beijing acquired the equity of Phoenix Metropolis Media (Guangzhou) Co., Ltd. ("PMM Guangzhou") and Shenzhen Phoenix Metropolis Media Co., Ltd. ("PMM Shenzhen") from non-controlling interests. As a result, both PMM Guangzhou and PMM Shenzhen have become wholly owned subsidiaries of PMM Beijing. As the Group retains control over PMM Beijing the "net gain on acquisition and deemed disposal" of approximately HK$67,560,000 was reflected directly in equity.

A fair value gain of approximately HK$127,488,000 (year ended 31 December 2010: HK$21,979,000) was recognised for the investment property under construction in Beijing.

The loss attributable to owners of the Company after charging the non-cash fair value loss and interest accretion of the Preferred Shares in accordance with GAAP was approximately HK$66,885,000.

The chart below summarises the Group's performance for the year ended 31 December 2011. For a clear understanding of the Group's performance presented in accordance with the GAAP, a column that presents the Non-GAAP results is also included in this chart and details the actual gain on the deemed disposal of partial interests in the new media and the outdoor media.

	Year ended 31 December		
	2011	**2011**	2010
	Non-GAAP presentation		
	HK$'000	***HK$'000***	*HK$'000*
Television broadcasting	**2,072,307**	**2,072,307**	1,679,183
New media	**1,113,711**	**1,113,711**	560,456
Outdoor media	**386,559**	**386,559**	268,210
Other businesses	**66,868**	**66,868**	57,541
Group's total revenue	**3,639,445**	**3,639,445**	2,565,390
Operating costs	**(2,727,096)**	**(2,727,096)**	(1,842,434)
Profit from operations	**912,349**	**912,349**	722,956
Non-cash fair value loss and interest accretion of Preferred Shares	**(964,713)**	**(964,713)**	(210,664)
Non-GAAP gain on deemed disposal of new media	**1,563,711**	**–**	–
Non-GAAP net gain on acquisition and deemed disposal of outdoor media	**67,560**	**–**	–
Fair value gain on an investment properties under construction	**127,488**	**127,488**	21,979
Other income, net	**84,664**	**84,664**	20,439
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	**1,791,059**	**159,788**	554,710
Share of results of jointly controlled entities and an associate	**(3,791)**	**(3,791)**	(1,796)
Income tax expense	**(229,460)**	**(229,460)**	(108,490)
Profit/(loss) for the year	**1,557,808**	**(73,463)**	444,424
Non-controlling interests	**6,578**	**6,578**	(22,602)
Profit/(loss) attributable to owners of the Company	**1,564,386**	**(66,885)**	421,822
Basic earnings/(losses) per share, Hong Kong cents	**31.34**	**(1.34)**	8.46

BUSINESS OVERVIEW AND PROSPECTS

During the 2011 financial year the Phoenix Group has achieved a series of major successes in a wide range of areas. The increases in revenue, operating profit and equity during this period were extremely positive, especially in view of the fact that in the previous year it expanded at an exceptional rate. The Group's capacity to sustain this level of exceptional growth over several successive years underscores that the Group's fundamental business model is both balanced and forward-looking.

The income of the Group's core television business has continued to grow at an impressive rate, but the other areas in which the Group has developed substantial business operations, namely the new media and the outdoor media businesses, have also generated extremely healthy returns. This provides strong evidence that the Group's understanding of the changing economic environment, and the rapid expansion of the internet and the growing importance of public advertising, has enabled it to pursue a strategy that has developed the scope of its business activities in an extremely effective way.

Besides securing financial benefits from entering into the internet and outdoor media businesses, the Group also launched a new television broadcasting venture, Phoenix Hong Kong Channel, which provides television programming in Cantonese to Hong Kong as well as the overseas Cantonese-speaking audiences. This channel began broadcasting on 28 March 2011. During 2011, Phoenix also made the final preparations for launching the Phoenix U Radio, which will expand Phoenix's presence into the world of digital radio broadcasting after it began operating on 18 January 2012. The combined effect of the Hong Kong Channel and Phoenix U Radio will be to reinforce the Phoenix brand name and thus stimulate the further expansion of Phoenix's world-wide audience.

The year 2011 also marked the fifteenth anniversary of the founding of Phoenix Satellite Television, and this event was celebrated on 31 March with a major event in the Great Hall of the People in Beijing. The highlight of this event was an award ceremony that recognised the contribution that a wide range of foreign individuals and agencies made to Phoenix over the previous fifteen years. Among those to receive awards were Dr. John Chipman, the chairman of the International Institute for Strategic Studies, Ms. Julia Morley, the head of the Miss World Organization, Dr. Richard Bush, the head of the Center for North Asian Policy Studies at the Brookings Institution, Mr. Bruce Paisner, the chairman of the International Academy of Television Arts and Sciences and senior media executives from the Russia, Japan, Palestine, Malaysia, and the D.P.R.K. The awards ceremony was followed by a concert that featured a series of famous entertainers and singers, and provided a gala climax to the celebration of Phoenix Satellite Television's development over fifteen years from a one-channel broadcaster into a multi-media organisation with a global outreach based on working relationships with a wide range of international players, from well-known intellectuals through to media organisations.

For the year 2011, Phoenix still accomplished overwhelmingly outstanding performance in news reporting which aroused widespread recognition. For events like the violent political uprisings in Egypt, Tunisia, Libya and Syria. Phoenix reporters have covered these events in great detail, and consequently Phoenix has been able to provide the Chinese-speaking world with first hand reporting on developments across the Middle East. A sizeable group of Phoenix reporters was detained in the Rixos Hotel in Tripoli along with many other international news teams during the last days of the Gaddafi regime, but they were released without coming to any harm.

Phoenix also provided detailed coverage of regional events, including the election campaigning in Taiwan in the lead-up to the Presidential elections in January 2012, and the events in North Korea following the unexpected death of Kim Jong-il, and the appointment of his son, Kim Jong-un, as the new leader of North Korea.

The Group's successes over the last twelve month period, from the successful IPO of the new media business through to the comprehensive coverage of breaking international political and economic developments, confirms that Phoenix is well placed to continue to perform at a very high level.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

	Year ended 31 December			
	2011		2010	
	Revenue	**Segment result**	Revenue	Segment result
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Television broadcasting	**2,072,307**	**1,026,351**	1,679,183	837,781
New media	**1,113,711**	**(818,111)***	560,456	(125,776)*
Outdoor media	**386,559**	**85,177**	268,210	55,585
Real estate	**–**	**118,662**	–	14,937
Other businesses	**66,868**	**7,186**	57,541	5,599
Group's total revenue and segment results	**3,639,445**	**419,265**	2,565,390	788,126
Unallocated income		**35,565**		12,103
Unallocated expenses		**(295,042)**		(245,519)
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests		**159,788**		554,710

* *The segmental loss of new media is a consequence of the deduction of interest accretion and changes in fair value of the preference share liability of approximately HK$964,713,000 (year ended 31 December 2010: HK$210,664,000).*

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 56.9% of the Group's total revenue for the year ended 31 December 2011, increased by 23.4% to approximately HK$2,072,307,000 (year ended 31 December 2010: HK$1,679,183,000). The segmental result for television broadcasting recorded a profit of approximately HK$1,026,351,000 for the year ended 31 December 2011 (year ended 31 December 2010: HK$837,781,000).

Phoenix Chinese Channel and Phoenix InfoNews Channel accounted for 52.1% of the Group's total revenue for the year ended 31 December 2011 and showed an increase of 23.2% to approximately HK$1,896,099,000 (year ended 31 December 2010: HK$1,539,246,000).

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 25.9% as compared to the same period last year to approximately HK$176,208,000 (year ended 31 December 2010: HK$139,937,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contributed to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year ended 31 December 2011 increased to HK$1,113,711,000 (year ended 31 December 2010: HK$560,456,000). The segmental loss of new media after deduction of interest accretion and changes in fair value of the preference share liability was HK$818,111,000 (year ended 31 December 2010: HK$125,776,000). The profit from operations, which represents profit before tax, interest expense and changes in fair value of preference share liability, of the new media increased to HK$146,602,000 (year ended 31 December 2010: HK$84,888,000).

The revenue of outdoor media business increased to approximately HK$386,559,000 (year ended 31 December 2010: HK$268,210,000). The segmental profit of outdoor media business was approximately HK$85,177,000 (year ended 31 December 2010: HK$55,585,000) after deduction of share based payment of approximately HK$25,714,000 (year ended 31 December 2010: Nil).

The segmental result for real estate included the fair value gain of approximately HK$127,488,000 (year ended 31 December 2010: HK$21,979,000) which was recognised for the investment property under construction in Beijing.

Please refer to note 5 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.

DIVIDENDS

Because of the substantial growth in the Company's equity as a result of the listing of PNM and the gain derived from PMM Beijing and the fact that liquidity and financial resources of the Group remains solid, the Board of Directors has distributed a special dividend of 3.8 Hong Kong cents per share.

After considering the sustainable profitability of the Group's core television broadcasting business, the Directors recommend the payment of a final dividend of 4.2 Hong Kong cents per ordinary share, representing an increase of 27.3% as compared to the final dividend for 2010 of 3.3 Hong Kong cents, totaling approximately HK$209,705,000 to be payable to shareholders whose names appear on the register of members of the Company on 15 June 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 25 June 2012.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") 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, 8 June 2012 at 3:00 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 4 June 2012 to Friday, 8 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 1 June 2012.

The register of members of the Company will be also closed from Thursday, 14 June 2012 to Friday, 15 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 13 June 2012.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Deemed Disposal of Outdoor Media

On 29 May 2011, the controlling shareholders of Regal Fame Investments Limited, three People's Republic of China domestic investors, 27 employees of various members of the Phoenix Metropolis Media Holdings Limited and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited ("PMM Communication") entered into a capital increase agreement (the "Capital Increase Agreement") with PMM Beijing, formerly known as Phoenix Metropolis Media (Beijing) Company Limited. Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately HK$48,000,000 to RMB140,000,000 and the Company's indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%. Notwithstanding that the Group owns less than half of the equity interest in PMM Beijing subsequent to the capital increase, the Group retains control over PMM Beijing as it has the ability to direct the relevant activities of PMM Beijing i.e. the activities that significantly affect PMM Beijing. The reduction of the Company's indirect interest in PMM Beijing constituted a deemed disposal of its partial interest in PMM Beijing by the Company. Full details and explanations are given in note 15(b) to the consolidated financial information.

Deemed Disposal of New Media

On 12 May 2011, PNM was listed on NYSE in the US by initial public offering of American depositary shares ("ADS(s)") comprising 11,500,000 ADSs (representing 92,000,000 new Class A Shares) by PNM and 1,267,500 ADSs (representing 10,140,000 existing Class A Shares) 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 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. As all Preferred Shares of PNM were converted at the time of listing, there will not be any non-cash fair value gain/loss and interest accretion in the future. According to the GAAP, these constituted a deemed disposal of interests in subsidiaries (Group's effective interest reduced to 51.2% as a result of the spin-off) and PNM remains a non-wholly owned subsidiary of the Company and the financial results of PNM continue to be consolidated into the financial statements of the Group. Full details and explanations are given in note 15(a) to the consolidated financial information.

Save as disclosed above, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2011.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2011 remained solid as recurring cash flows from the Group's businesses continued to remain steady and strong. As at 31 December 2011, the Group had cash and cash deposits totaling about HK$2,624,482,000 (as at 31 December 2010: HK$1,425,782,000), including over HK$1,000,000,000 net proceeds raised from separate listing of PNM, which will be used for capital expenditure and business expansions. The aggregate outstanding borrowings of the Group were approximately HK$480,117,000 (as at 31 December 2010: HK$664,478,000), representing amounts due to related companies which were unsecured and non-interest bearing and secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. The decrease in the aggregate outstanding borrowings was due to the conversion of Preferred Shares issued by PNM at the time of its separate listing on NYSE.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 36.6% as at 31 December 2011 (as at 31 December 2010: 62.0%). As a result of the spin-off of PNM, the net cash and cash equivalents balance after deduction of the total liabilities was HK$239,540,000. 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 31 December 2010 was 2.5%.

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 2011, deposits of approximately HK$3,124,000 (as at 31 December 2010: HK$3,146,000) 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 value of approximately HK$117,000,000, HK$203,000,000 and HK$676,000,000 (as at 31 December 2010: HK$115,000,000, HK$92,000,000 and HK$371,000,000) recorded in lease premium for land, construction in progress and investment properties 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 did not have any other charges on its assets as at 31 December 2011 and 31 December 2010.

CAPITAL STRUCTURE

During the year ended 31 December 2011, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2011, the Group's operations were mainly financed by owners' equity and bank borrowings and banking facilities.

STAFF

As at 31 December 2011, the Group employed 2,529 full-time staff (31 December 2010: 1,897) 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 increased to approximately HK$865,439,000 (year ended 31 December 2010: HK$553,965,000).

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 2011, the Group invested in listed security investments with an estimated fair market value of approximately HK$18,011,000 (as at 31 December 2010: HK$24,330,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2011.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group is currently considering a possible spin-off and separate listing of PMM Beijing, a subsidiary engaged in the outdoor media business in the People's Republic of China. For details, please refer to the announcement 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 31 December 2011, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group is in negotiation with a music royalties collecting society regarding the payment of certain royalties. The Group believes that the likelihood of a material outflow in settlement of this royalties issue may not be probable.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2011 and 31 December 2010.

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.

USE OF NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial statements presented in Hong Kong Financial Reporting Standards, the Group uses Non-GAAP profit attributable to owners of the Company by reflecting the gain on deemed disposal of partial interests in the new media and the outdoor media in the consolidated income statement instead of in equity. The Group believes that inclusion of the gain in the consolidated income statement adds clarity and enhances the overall understanding of the Group's financial performance. Non-GAAP financial measures are not expressly permitted under Hong Kong Financial Reporting Standards.

AUDIT COMMITTEE

The audit committee has reviewed the Group's annual results for the year ended 31 December 2011 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 2011 have been agreed by Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in the 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.

CORPORATE GOVERNANCE CODE

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 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 2011, 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 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 Company and its subsidiaries (collectively, the "Group").

On 26 November 2008, Mr. LIU entered into a non-competition deed (the "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 have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the year ended 31 December 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT 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 2011 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 2012.

On behalf of the Board
LIU Changle
Chairman

15 March 2012

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 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	**2011** **\$'000**	2010 *\$'000* *(Note 16)*
Revenue	*3*	**3,639,445**	2,565,390
Operating expenses	*6*	**(2,273,489)**	(1,527,189)
Selling, general and administrative expenses	*6*	**(453,607)**	(315,245)
Other (losses)/gains			
Fair value loss on preference share liability – derivative component		**(947,100)**	(169,087)
Fair value gain on investment properties under construction		**127,488**	21,979
Other gains, net	*4*	**62,768**	13,032
Finance income/(costs), net			
Interest income		**21,896**	7,407
Interest accretion for preference share liability – host debt		**(17,613)**	(41,577)
Share of loss of jointly controlled entities		**(4,819)**	(1,794)
Share of profit/(loss) of an associate		**1,028**	(2)
Profit before income tax		**155,997**	552,914
Income tax expense	*7*	**(229,460)**	(108,490)
(Loss)/profit for the year		**(73,463)**	444,424
Attributable to:			
Owners of the Company		**(66,885)**	421,822
Non-controlling interests		**(6,578)**	22,602
		(73,463)	444,424
(Losses)/earnings per share for profit attributable to owners of the Company during the year			
Basic (losses)/earnings per share, Hong Kong cents	*8*	**(1.34)**	8.46
Diluted (losses)/earnings per share, Hong Kong cents	*8*	**(1.34)**	7.83
Dividends and distributions	*9*	**443,564**	164,572

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	2011	2010
	$'000	*$'000*
(Loss)/profit for the year	**(73,463)**	444,424
Other comprehensive income		
Currency translation differences	**58,572**	19,500
Total comprehensive (loss)/income for the year	**(14,891)**	463,924
Attributable to:		
Owners of the Company	**(35,626)**	441,322
Non-controlling interests	**20,735**	22,602
	(14,891)	463,924

CONSOLIDATED BALANCE SHEET
As at 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Note	**2011**	2010
		$'000	*$'000*
ASSETS			
Non-current assets			
Purchased programme and film rights, net		**23,731**	26,631
Lease premium for land		**239,323**	239,300
Property, plant and equipment, net		**1,150,440**	904,342
Investment properties under construction		**685,391**	371,138
Intangible assets		**16,739**	18,473
Investments in jointly controlled entities		**6,854**	10,846
Amount due from a jointly controlled entity		**20,000**	–
Investment in an associate		**5,764**	4,736
Available-for-sale financial assets		**962**	962
Other long-term assets		**40,489**	30,672
Deferred income tax assets		**33,273**	13,225
		2,222,966	1,620,325
Current assets			
Accounts receivable, net	*11*	**447,111**	211,416
Prepayments, deposits and other receivables		**754,201**	471,555
Inventories		**7,803**	6,658
Amounts due from related companies		**93,466**	29,705
Self-produced programmes		**8,673**	8,253
Purchased programme and film rights, net		**9,092**	4,069
Financial assets at fair value through profit or loss	*10*	**18,011**	24,330
Bank deposits		**1,078,996**	113,280
Restricted cash		**3,124**	23,790
Cash and cash equivalents		**1,545,486**	1,312,502
		3,965,963	2,205,558
Total assets		**6,188,929**	3,825,883

	Note	2011 $'000	2010 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**499,298**	498,703
Reserves			
Proposed final dividend		**209,705**	164,572
Others		**2,856,466**	1,543,803
		3,565,469	2,207,078
Non-controlling interests		**1,317,514**	250,213
Total equity		**4,882,983**	2,457,291
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**–**	653,106
Investment deposits	*14*	**–**	52,520
Other long-term liabilities		**6,743**	–
Deferred income tax liabilities		**76,453**	47,699
		83,196	753,325
Current liabilities			
Accounts payable, other payables and accruals	*12*	**507,638**	410,570
Borrowings	*13*	**478,480**	–
Deferred income		**181,398**	141,789
Amounts due to related companies		**1,637**	11,372
Current income tax liabilities		**53,597**	51,536
		1,222,750	615,267
Total liabilities		**1,305,946**	1,368,592
Total equity and liabilities		**6,188,929**	3,825,883
Net current assets		**2,743,213**	1,590,291
Total assets less current liabilities		**4,966,179**	3,210,616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Amounts expressed in Hong Kong dollars)

	Attributable to owners of the Company								
	Share capital *$'000*	Share premium *$'000*	Statutory reserve *$'000* *(Note)*	Capital reserve *$'000*	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
Profit for the year	–	–	–	–	–	–	421,822	22,602	444,424
Other comprehensive income									
Currency translation differences	–	–	–	–	19,500	–	–	–	19,500
Total comprehensive income for the year	–	–	–	–	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	–	(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

		Attributable to owners of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Statutory reserve *$'000* *(Note)*	Capital reserve *$'000*	Exchange reserve *$'000*	Employee share-based payment reserve *$'000*	Retained earnings *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
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 year		–	–	–	–	–	–	(66,885)	(6,578)	(73,463)
Other comprehensive income										
Currency translation differences		–	–	–	–	31,259	–	–	27,313	58,572
Total comprehensive income/ (loss) for the year		–	–	–	–	31,259	–	(66,885)	20,735	(14,891)
Transactions with owners										
Share option scheme										
– value of employee services		–	–	–	–	–	129,024	–	–	129,024
– recognition of shares issued on exercise of options		595	8,314	–	–	–	(1,339)	–	–	7,570
Dividends related to 2010	*9*	–	(164,717)	–	–	–	–	–	–	(164,717)
Special dividend	*9*	–	(189,732)	–	–	–	–	–	–	(189,732)
Assured entitlement	*9*	–	(44,127)	–	23,425	–	–	–	6,564	(14,138)
Disposals of interests in subsidiaries without loss of control	*15*	–	–	–	1,643,193	–	–	–	1,065,740	2,708,933
Acquisition of additional interests in subsidiaries	*15*	–	–	–	(11,922)	–	–	–	(32,671)	(44,593)
Liquidation of subsidiaries		–	–	–	11,702	–	–	–	(4,063)	7,639
Exercise of share options of a subsidiary		–	–	–	–	–	(10,399)	–	10,996	597
Allocation to statutory reserve		–	–	19,255	–	–	–	(19,255)	–	–
Total transactions with owners		595	(390,262)	19,255	1,666,398	–	117,286	(19,255)	1,046,566	2,440,583
Balance at 31 December 2011		499,298	29,804	29,154	1,666,398	74,263	143,560	1,122,992	1,317,514	4,882,983

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 properties 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:

Amendments and interpretation to existing standards effective in 2011 but not relevant to the Group

HKAS 24 (Revised), "Related Party Disclosure" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

(a) The name of the government and the nature of their relationship;

(b) The nature and amount of any individually significant transactions; and

(c) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition for a related party.

Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

Amendment to HK(IFRIC) – Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it currently has no extinguishment of financial liabilities replaced with equity instruments currently.

Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

Standards and amendments which are not yet effective

The HKICPA has issued the following new or revised standards and amendments to the standards which are not yet effective in 2011 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements	1 July 2012
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 Amendment	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1 January 2013
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Group has not early adopted any of the above standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

3. REVENUE 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:

	2011	2010
	$'000	*$'000*
		(Note 16)
Revenue		
Advertising sales		
Television broadcasting	**1,983,009**	1,602,191
Internet	**559,148**	235,803
Outdoor media	**386,559**	268,210
Mobile, video and wireless value added services income	**554,563**	324,653
Subscription sales	**85,273**	76,234
Magazine advertising and subscription or circulation	**57,717**	47,043
Others	**13,176**	11,256
	3,639,445	2,565,390

4. OTHER GAINS, NET

	2011	2010
	$'000	*$'000*
Other (losses)/gains, net		
Exchange gain, net	**55,961**	7,753
Investment income	**902**	3,355
Fair value loss on financial assets at fair value through profit or loss (realised and unrealised)	**(6,319)**	(6,187)
Service charges received from a related party	**–**	978
Others, net	**12,224**	7,133
	62,768	13,032

5. SEGMENT INFORMATION

The Group has five main operating segments including:

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

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

(b) Others, including Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News Entertainment Channels 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.

	Year ended 31 December 2010								
	Television broadcasting								
	Primary channels *$'000*	Others *$'000*	Sub-total *$'000*	New media *$'000*	Outdoor media *$'000*	Real estate *$'000* *(Note c)*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000* *(Note 15)*
Revenue									
External sales	1,539,246	139,937	1,679,183	560,456	268,210	–	57,541	–	2,565,390
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	574,822	268,420	–	94,595	(56,644)	2,565,390
Segment results	808,026	29,755	837,781	(125,776)	55,585	14,937	5,599	–	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)	(356)	(960)	–	(87,415)
Unallocated depreciation									(22,029)
									(109,444)

	Year ended 31 December 2011								
	Television broadcasting								
	Primary channels *$'000*	Others *$'000*	Sub-total *$'000*	New media *$'000*	Outdoor media *$'000*	Real estate *$'000* *(Note c)*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue									
External sales	1,896,099	176,208	2,072,307	1,113,711	386,559	–	66,868	–	3,639,445
Inter-segment sales	–	6,948	6,948	5,901	–	–	41,442	(54,291)	–
Total revenue	1,896,099	183,156	2,079,255	1,119,612	386,559	–	108,310	(54,291)	3,639,445
Segment results	1,016,393	9,958	1,026,351	(818,111)	85,177	118,662	7,186	–	419,265
Unallocated income *(Note a)*									35,565
Unallocated expenses *(Note b)*									(295,042)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests									159,788
Share of losses of jointly controlled entities									(4,819)
Share of profit of an associate									1,028
Income tax expense									(229,460)
Loss for the year									(73,463)
Non-controlling interests									6,578
Loss attributable to owners of the Company									(66,885)
Depreciation	(63,848)	(6,605)	(70,453)	(17,892)	(21,622)	(290)	(2,823)	–	(113,080)
Unallocated depreciation									(27,940)
									(141,020)

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 year ended 31 December 2010, 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 year ended 31 December 2011. The comparatives have been restated.

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 2011	
	Revenue	**Total assets**
	$'000	***$'000***
The People's Republic of China	**3,455,684**	**2,790,901**
Hong Kong	**65,529**	**3,300,513**
Others	**118,232**	**97,515**
	3,639,445	**6,188,929**

	Year ended 31 December 2010	
	Revenue	Total assets
	$'000	*$'000*
	(Note 16)	
The People's Republic of China	2,433,141	1,776,809
Hong Kong	37,106	1,997,343
Others	95,143	51,731
	2,565,390	3,825,883

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2011	2010
	$'000	*$'000*
Crediting		
Reversal of provision for impairment of accounts receivable	**–**	1,155
Charging		
Production costs of self-produced programmes	**190,841**	134,531
Commission expenses	**321,472**	296,229
Transponder rental	**29,549**	25,405
Provision for impairment of accounts receivable	**16,740**	686
Employee benefit expenses (including Directors' emoluments)	**865,439**	553,965
Operating lease rental in respect of		
– Directors' quarters	**2,048**	1,445
– Land and buildings of third parties	**38,471**	27,000
Loss on disposal of property, plant and equipment	**3**	658
Depreciation	**141,020**	109,444
Amortisation of purchased programme and film rights	**25,421**	23,150
Amortisation of lease premium for land	**2,744**	2,744
Amortisation of intangible assets	**1,734**	1,912
Auditor's remuneration	**8,079**	3,244
Services charges paid to related parties	**19,495**	20,404

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011	2010
	$'000	*$'000*
Current income tax		
– Hong Kong profits tax	**143,229**	104,853
– Overseas taxation	**66,198**	7,782
– Under/(over) provision of tax in the prior year	**13,321**	(4,673)
Deferred income tax	**6,712**	528
	229,460	108,490

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. (LOSSES)/EARNINGS PER SHARE

Basic

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

	2011	2010
(Loss)/profit attributable to owners of the Company *($'000)*	**(66,885)**	421,822
Weighted average number of ordinary shares in issue *('000)*	**4,991,068**	4,985,237
Basic (losses)/earnings per share *(Hong Kong cents)*	**(1.34)**	8.46

Diluted

Diluted (losses)/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, 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 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 (losses)/earnings per share.

	2011	2010
(Loss)/profit attributable to owners of the Company *($'000)*	**(66,885)**	421,822
Adjustment for share options of the Company and a subsidiary and preference shares issued by a subsidiary *($'000)*	**–**	(31,186)
(Loss)/profit attributable to owners of the Company used to determine diluted earnings per share *($'000)*	**(66,885)**	390,636
Weighted average number of ordinary shares in issue *('000)*	**4,991,068**	4,985,237
Adjustment for share options of the Company *('000)*	**–**	6,580
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,991,068**	4,991,817
Diluted (losses)/earnings per share *(Hong Kong cents)*	**(1.34)**	7.83

For the year ended 31 December 2011, the share options issued by the Company and a subsidiary, restricted shares and restricted share units 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. The basic and the diluted losses per share are the same.

9. DIVIDENDS AND DISTRIBUTIONS

	2011	2010
	$'000	*$'000*
Proposed final dividend of 4.2 Hong Kong cents (2010: 3.3 Hong Kong cents) per share *(Note a)*	**209,705**	164,572
Special dividend, paid, of 3.8 Hong Kong cents (2010: nil) per share	**189,732**	–
Assured entitlement, paid *(Note b)*	**44,127**	–
	443,564	164,572

(a) The 2010 final dividend paid during the year ended 31 December 2011 were approximately HK$164,717,000 (3.3 Hong Kong cents per share). The directors recommend the payment of a final dividend of 4.2 Hong Kong cents per share, totalling approximately HK$209,705,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 8 June 2012. These consolidated financial information do not reflect this dividend payable.

(b) **Assured entitlement**

In giving due regard to the interests of the shareholders of the Company as required under Practice Note 15 of the Listing Rules, the Company had to make available to the qualifying shareholders an assured entitlement to the ADSs in connection with the Offering by PNM by means of a distribution-in-specie.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	$'000	*$'000*
Investments at fair value	**18,011**	24,330

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 gains, net in the consolidated income statement.

As at 31 December 2011, the financial assets at fair value through profit and loss represent the shares of HSBC Holdings PLC ("HSBC") of HK$18,011,000 (2010: HK$24,330,000).

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 31 December 2011, the closing price of the shares of HSBC was HK$59 (2010: HK$79.7). If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, post-tax profit for the year would have been HK$9,005,000 higher/lower. The investment is managed and its performance evaluated on a fair value basis and information about this investment is reported to management on that basis and as such has been designated as financial assets at fair value through profit or loss.

11. ACCOUNTS RECEIVABLE, NET

	2011	2010
	$'000	*$'000*
Accounts receivable	**458,499**	213,093
Less: Provision for impairment of receivables	**(11,388)**	(1,677)
	447,111	211,416

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

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

At 31 December 2011, the aging analysis of the accounts receivable was as follows:

	2011	2010
	$'000	*$'000*
0-30 days	**144,204**	100,055
31-60 days	**84,116**	48,719
61-90 days	**62,237**	24,618
91-120 days	**70,463**	16,825
Over 120 days	**97,479**	22,876
	458,499	213,093
Less: Provision for impairment of receivables	**(11,388)**	(1,677)
	447,111	211,416

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

	2011	2010
	$'000	*$'000*
RMB	**443,098**	197,387
US$	**10,180**	9,657
UK pound	**5,221**	6,049
	458,499	213,093

12. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2011	2010
	$'000	*$'000*
Accounts payable	**180,724**	144,272
Other payables and accruals	**326,914**	266,298
	507,638	410,570
Less: non-financial liabilities	**(7,404)**	(9,177)
	500,234	401,393

At 31 December 2011, the aging analysis of the accounts payable was as follows:

	2011	2010
	$'000	*$'000*
0-30 days	**44,239**	52,252
31-60 days	**43,268**	13,964
61-90 days	**13,385**	8,011
91-120 days	**19,613**	5,558
Over 120 days	**60,219**	64,487
	180,724	144,272

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

The carrying amounts of accounts payable, other payables and accruals are denominated in the following currencies:

	2011	2010
	$'000	*$'000*
HK$	**105,169**	108,378
RMB	**380,523**	284,625
US$	**10,929**	5,207
UK pound	**2,880**	2,781
Others	**733**	402
	500,234	401,393

13. BORROWINGS

	2011	2010
	$'000	*$'000*
Secured bank borrowings *(Note a)*	**478,480**	245,091
Preference share liability *(Note b)*	**–**	408,015
	478,480	653,106

(a) Borrowings

Bank borrowings which are denominated in RMB, mature on 26 July 2012 and bear interest at an average rate of 6.79% annually (2010: 5.4%).

Bank borrowings are secured by the land in Chaoyang Park, with carrying values of approximately HK$117,000,000 (2010: HK$115,000,000), HK$203,000,000 (2010: HK$92,000,000) and HK$676,000,000 (2010: HK$371,000,000) recorded in lease premium for land, construction in progress and investment properties under construction, respectively.

(b) Preference share liability

PNM 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. 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 (Note 15(a)).

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

	2011	2010
	$'000	*$'000*
Preferred Shares – initial measurement of host debt	**215,041**	173,404
Currency translation differences	**493**	60
Add: interest accretion during the year	**17,613**	41,577
Less: conversion into PNM class A shares	**(233,147)**	–
	–	215,041
Derivative component – initial measurement	**192,974**	23,934
Currency translation differences	**461**	(47)
Add: change in fair value during the year	**947,100**	169,087
Less: conversion into PNM class A shares	**(1,140,535)**	–
	–	192,974
Preference share liability	**–**	408,015

14. INVESTMENT DEPOSITS

During the year ended 31 December 2010, the Group entered into framework agreements with three investors in respect of their investment into 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 HK$53,000,000 from the investors as investment deposits. During the year ended 31 December 2011, the investment deposits were converted into the capital of PMM Beijing (Note 15(b)).

15. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(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 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. 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 13(b)), the Group's equity interest in PNM was reduced from 99.27% to 51.71%. As the Group retains control over PNM, the Group recognised a gain on deemed disposal of partial interest in PNM of HK$1,563,711,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$867,836,000 for the year.

(b) Disposal of partial interest in PMM Beijing

On 29 May 2011, PMM Beijing 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 ("PRC investors"), certain employees of various members of the Phoenix Metropolis Media Holdings Limited and its subsidiaries, as well as Phoenix Metropolis Communication (Beijing) Co., Limited ("PMM Communication"). Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing 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 Beijing (through PMM Communication) was reduced from 75% to 45.54%. Notwithstanding the Group owns less than half of the equity interest in PMM Beijing subsequent to the capital increase, the Group retains control over PMM Beijing as it has the ability to direct the relevant activities of PMM Beijing i.e. the activities that significantly affect PMM Beijing. As a result of the capital increase, the Group recognised a gain on deemed disposal of partial interest in PMM Beijing of 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 year.

(c) Acquisitions of additional interests in PMM Guangzhou and PMM Shenzhen

In November 2011, the Group further acquired the remaining 25% and 20% equity interests of PMM Guangzhou and PMM Shenzhen, respectively, at a total consideration of approximately HK$44,593,000. The difference between total fair value of consideration paid and the total relevant share acquired of the carrying value of net assets of PMM Guangzhou and PMM Shenzhen of HK$11,922,000 was recognised in the equity attributable to the owners of the Company and a decrease of HK$32,671,000 was recognised in the non-controlling interests for the year.

16. COMPARATIVE FIGURES

Certain of the 2010 comparative figures have been reclassified to conform to the current year's presentation.

17. SUBSEQUENT EVENT

On 20 February 2012, the Group entered into a loan agreement with a bank with principal amount of RMB58,000,000. The loan, which was fully drawn down on 29 February 2012, matures on 19 February 2013 and bears interest at 7.872% annually. The loan is secured by the land in Chaoyang Park together with the development site.

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)