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 2008

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2008 was 17.9% higher than the previous year, reaching approximately HK$1,392,059,000.
- The profit attributable to equity holders increased to approximately HK$286,824,000, which was a 2.9% improvement over the profit achieved in 2007.
- The Board recommended a final dividend of HK$0.019 per share.

RESULTS

The Group's revenue for the year ended 31 December 2008 was approximately HK$1,392,059,000, which represented a growth of 17.9% as compared to 2007. The two main drivers behind this result were the growth in both advertising revenue and subscription revenue. Total operating costs increased by 19.0% to approximately HK$1,112,051,000. The upward movement in operating costs was mainly due to the increase in commission payments and a rise in programming, technical services and staff costs.

The Group's operating profit for the year ended 31 December 2008 was approximately HK$280,008,000, which represented an increase of 13.6% over same period in the previous year. Profit attributable to equity holders of the Company was approximately HK$286,824,000, which was an increase of 2.9% compared with the same period last year. The operating profit was mainly generated by the increase in advertising revenue and subscription revenue. During 2008 the Group recognized a gain on investments in two subsidiaries, with the Group's interest in the net fair value of the subsidiaries exceeding the cost of the investments to the extent of HK$19,646,000 and there was a loss on listed and unlisted investments of approximately HK$9,644,000 (year ended 31 December 2007: gain HK$2,110,000). The appreciation of the Renminbi during the year further boosted the profit attributable to equity holders by approximately HK$28,337,000 (year ended 31 December 2007: HK$25,000,000).

The chart presented below compares the Group's performance for the year ended 31 December 2008 with that for the 2007 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**896,788**	802,364
Phoenix InfoNews Channel	**270,040**	203,864*
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others	**115,849**	75,448*
New media	**50,697**	56,391
Outdoor media	**11,096**	–
Other businesses	**47,589**	42,709*
Group's total revenue	**1,392,059**	1,180,776
Operating costs	**(1,112,051)**	(934,352)*
Profit from operations	**280,008**	246,424*
Other income – net	**54,607**	83,817
Share of losses of jointly controlled entities	**(1,432)**	(1,067)
Income tax expenses	**(57,594)**	(50,640)
Minority interest	**11,235**	215
Profit attributable to equity holders of the Company	**286,824**	278,749
Earnings per share, Hong Kong cents	**5.79**	5.64

* 2007 comparative figures have been reclassified to conform to the current year's presentation.

BUSINESS OVERVIEW AND PROSPECTS

During 2008 the mounting global financial crisis posed a critical challenge to media companies across the world. Many major media corporations have reported a drop in earnings or a fall in advertising revenue. Several Hong Kong television broadcasters have laid off staff as a consequence of economic pressure. The Chinese economy, which is the source of much of the Group's advertising revenue, has also been affected by the global downturn with the Chinese National Bureau of Statistics revealing that annual growth only averaged some 6.8% in 2008, after achieving a rate of 13% in 2007.

Despite these negative trends, however, the Group's core television broadcasting business has performed consistently over the last twelve months, with advertising and subscription revenue recording significant growth, and the overall broadcasting segment revenue increasing by 18.6% over the previous year. This trend-defying growth in revenue was particularly evident in the performance of the Phoenix InfoNews Channel ("InfoNews"), with a relatively substantial growth in profit, while the Group's signature Phoenix Chinese Channel, which is the Group's main source of income, continued to expand its income at a steady rate.

The exceptional performance that InfoNews achieved would seem to reflect the way in which InfoNews covered a range of news stories on both domestic and international developments that were of direct interest to the Chinese television audience. InfoNews gave comprehensive coverage to the riots and violence in Tibet, broadcasting footage of events in Lhasa that some foreign news channels did not air. InfoNews also carried extremely extensive coverage of the Sichuan earthquake and the massive recovery effort that followed that natural disaster. Phoenix news reporting attached high priority to the presidential elections in Taiwan and the victory of the KMT candidate MA Ying-jeou, the rapid development of cross-Strait contacts including the beginning of direct flights between the mainland and Taiwan, and the subsequent prosecution of the former Taiwan president, CHEN Shui-bian. InfoNews also carried extensive coverage of the United States presidential elections, and the likely impact of the final victory of Barrack OBAMA on US/China relations, including interviews with a number of the foreign policy advisers in the Obama campaign team. InfoNews featured a number of interviews with the new Australian Prime Minister, Kevin RUDD, whose Mandarin-speaking skills have made him a popular figure with the Chinese audience. InfoNews has carried extensive coverage and analysis of the unfolding global financial crisis, which would have attracted a high level of interest among Chinese business circles and economic policy-makers.

The Group's signature channel, Phoenix Chinese Channel, continued to achieve a growth in income which underscored the popularity of its programming with the Chinese audience. The influence of the Beijing Olympics on the Group's performance is difficult to calculate. Phoenix reported extensively on the carriage of the Olympic torch from Athens to Beijing, and the confrontational events that some times occurred along the way, especially in France. The Group also produced a number of programmes on various aspects of the Olympics, but Phoenix did not have the rights to broadcast the Olympic events themselves, which suggests that the strong advertising performance by the Phoenix Chinese Channel and InfoNews reflected the advertisers' assessment that Phoenix has an elite audience that should not be ignored.

The loss incurred by the Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel, and the Phoenix Movies Channel reduced by almost half when compared with the loss in the previous year, which underscores that the Group's international television performance is also improving. Indeed, international recognition of Phoenix as a major entity in the international television market was reflected in the decision of the International Academy of Television Arts and Sciences to award me, as the Chairman of Phoenix with the International Emmy Directorate Award for 2008.

The profit generated by the new media business dropped substantially, but given the clear global evidence that the internet is becoming an increasingly popular medium for watching television programming the long-term prospects for the new media business appear promising. The outdoor advertising venture that the Group is undertaking in a joint venture with Regal Fame required considerable Group investment during 2008, and this project has yet to generate a profit. The current financial environment might well have an impact on the development of the outdoor advertising business. However, it is unlikely that a slow down in the implementation of this project would, have a critical impact on the Group's current circumstances or future prospects.

The Group's overall maturity and record of consistent development was highlighted in December 2008, when the Group migrated from the Growth Enterprise Market to the Main Board of the Hong Kong Stock Exchange. This step represents a significant milestone in the Group's development.

The company is preparing to relocate its headquarters to a single, dedicated building in Taipo in the Hong Kong New Territories in March 2009. The process of moving will involve considerable costs, with operations being conducted simultaneously at both locations to ensure uninterrupted broadcasts, and the removal of equipment and resources from the current location in Hunghom to the new building. The latest budget for the total capital expenditure (including the acquisition cost of the building) is approximately HK$450,000,000, of which approximately HK$390,000,000 was paid by the Group up to 31 December 2008. But the new headquarters will facilitate the easier production of programming, with a greater choice of studios and the capacity to deliver a more ambitious range of programming effects. Given that the Group has purchased the new headquarters there is now no danger that upward rental movements, which can be a serious problem for businesses in Hong Kong, could have an impact on the Group's income. As a state-of-the-art television operation located adjacent to the sea front, the new headquarters at Taipo will provide an attractive destination for VIP visitors.

Despite the continuing financial crisis, and the difficulty in predicting how the Chinese economy in particular will fair in the coming year, the strong performance that the Group's core business achieved in 2008 is clearly encouraging. At this stage, in the 2009 financial year, it is still too early to make any solid predictions about how the Group will perform in the course of what will be an increasingly difficult year for the economy of both the Greater China region and the world more generally. The management will continue to take various measures to mitigate the possible adverse impact brought about by the financial crisis. The Group's strong performance in 2008, however, at the very minimum provides a measure of confidence that the Group is well placed to respond to the challenges that might emerge over coming months.

MANAGEMENT DISCUSSION & ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of the Group's businesses for the year ended 31 December 2008 and 2007 respectively.

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**463,711**	416,540
Phoenix InfoNews Channel	**41,573**	3,732*
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others	**(32,270)**	(60,119)*
New media	**5,927**	25,151
Outdoor Media	**(31,634)**	(680)*
Other businesses	**3,178**	4,574*
Corporate overheads	**(170,477)**	(142,774)
Profit from operations	**280,008**	246,424

* 2007 comparative figures have been reclassified to conform to the current year's presentation.

Revenues from television broadcasting, comprising both advertising and subscription revenues, which accounted for 92.1% of the Group's total revenue for the year ended 31 December 2008, increased by 18.6% to approximately HK$1,282,677,000 (year ended 31 December 2007: HK$1,081,676,000). The segmental result for television broadcasting recorded a profit of approximately HK$473,443,000 for the year ended 31 December 2008 (year ended 31 December 2007: HK$367,534,000).

The Group's flagship channel, Phoenix Chinese Channel, accounted for 64.4% of the Group's total revenue for the year ended 31 December 2008 and showed an increase of 11.8% to approximately HK$896,788,000 (year ended 31 December 2007: HK$802,364,000). Phoenix InfoNews Channel's revenue accounted for 19.4% of the Group's total revenue for the year, and increased by 32.5% to approximately HK$270,040,000 (year ended 31 December 2007: HK$203,864,000).

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 53.5% as compared to the year ended 31 December 2007 to approximately HK$115,849,000 (year ended 31 December 2007: HK$75,448,000).

The revenue from new media operations for the year ended 31 December 2008 was approximately HK$50,697,000 (year ended 31 December 2007: HK$56,391,000), which was mainly generated by technical services provided to a cooperation partner in the new media venture. Due to the expansion of the new media operations, there were increases in staff costs, internet production costs and the share-based payment expenses during the year ended 31 December 2008. As a consequence, the segmental result of the new media operations recorded a decline in profit to approximately HK$7,089,000 for the year ended 31 December 2008, compared to a profit of HK$25,313,000 for the year ended 31 December 2007.

During the year ended 31 December 2008, the Group captured the preliminary expenses of the outdoor media business, and as a consequence, the segmental result of the outdoor media business recorded a loss of HK$31,528,000 (year ended 31 December 2007: HK$680,000).

The increase in corporate overheads was mainly attributable to the increases in staff costs and professional fees and the company's donation to the Sichuan earthquake relief effort.

Please refer to note 4 of the notes to the financial statements for a detailed analysis of segmental information and the "Business Overview" 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 HK$0.019 per ordinary share for the year ended 31 December 2008 (2007: HK$0.018 per ordinary share). Upon approval by the shareholders at the forthcoming annual general meeting ("AGM"), the final dividend will be paid on or about 30 June 2009 to shareholders whose names appear on the register of members of the Company on 19 June 2009.

ANNUAL GENERAL MEETING

The AGM will be held on 19 June 2009. A circular containing a notice of the AGM will be despatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 June 2009 to Friday, 19 June 2009, both dates inclusive, during which period no transfer of share will be effected. In order to qualify for the above final dividend, all 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, not later than 4:30 p.m. on Friday, 12 June 2009.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 27 May 2008, Hong Kong Phoenix Satellite Television Limited entered into a new agreement with 北京廣播公司 (Beijing Broadcasting Company[1]), 北京同步廣告傳播有限公司 (Beijing Simulcast Communication Co Ltd[1]) and UPB International Media Limited which supersedes the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix Satellite Television Limited shall additionally inject RMB12,000,000 and then become owner of 41.57% of the registered capital of the joint venture. As of 31 December 2008, the additional capital contribution had not been made by the Group.

On 22 June 2007, Phoenix Satellite Television Company Limited entered into an agreement with Regal Fame Investments Limited ("Regal Fame") to form a joint venture named Phoenix Metropolis Media Company Limited ("Phoenix Metropolis Media"). Phoenix Metropolis Media engages in the outdoor advertising and related business activities. Pursuant to the agreement, the Group injected HK$35,000,000 for a 75% shareholding in Phoenix Metropolis Media in July 2007. The shareholders of Phoenix Metropolis Media by written resolutions dated 8 April 2008 resolved to increase the capital contribution into Phoenix Metropolis Media from HK$70,000,000 to HK$157,000,000 in order to expand the investment in the outdoor media business in the PRC. Out of the increase in capital contribution of HK$87,000,000 into Phoenix Metropolis Media, the Group shall in aggregate contribute HK$57,750,000 and Regal Fame shall in aggregate contribute HK$29,250,000. As of 31 December 2008, the total additional capital injection of HK$87,000,000 had been paid up by the Group and Regal Fame.

The Group entered into a capital increase contract on 27 June 2007 and an amended and restated capital increase contract on 21 December 2007 with the existing shareholders of 鳳凰東方(北京)置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited[1]) ("Phoenix Oriental"), pursuant to which Phoenix Pictures Limited conditionally agreed to subscribe for 50% of the enlarged registered capital of Phoenix Oriental. The parties agreed that the registered capital of Phoenix Oriental should be increased from RMB10,000,000 to RMB300,000,000. 50% of the enlarged registered capital, amounting to RMB150,000,000 should be contributed by Phoenix Pictures Limited on the satisfaction of certain conditions as stated in the above-mentioned contracts. On 27 February 2008, a Certificate of Approval was issued to Phoenix Oriental by the Beijing Municipal People's Government approving the establishment of Phoenix Oriental as a sino-foreign equity joint venture enterprise. On 28 March 2008, the Group remitted RMB150,000,000 to Phoenix Oriental as its capital injection into Phoenix Oriental. On 8 April 2008, the capital verification report for the injection of additional capital by the various new shareholders of Phoenix Oriental was completed and on 9 April 2008, Phoenix Oriental became a subsidiary of the Group and the financial statements of Phoenix Oriental have been consolidated since that date.

[1] Name translated for reference only.

Save as disclosed above, the Group has not made any significant investment for the year ended 31 December 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2008 remained solid. The aggregate outstanding borrowings of the Group as at 31 December 2008 were approximately HK$205,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 31 December 2007: HK$3,506,000). Such fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to equity attributable to equity holders of the Company, was 17.6% as at 31 December 2008 (as at 31 December 2007: 16.3%). Accordingly, the financial position of the Group has remained very 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 2008, deposits of approximately HK$3,020,000 (as at 31 December 2007: HK$4,067,000) were pledged with a bank to secure a guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any other charge on its assets as at 31 December 2008 and 31 December 2007.

CAPITAL STRUCTURE

During the year ended 31 December 2008, other than the exercise of share options granted, there was no change in the Company's share capital. As at 31 December 2008, the Group's operations were mainly financed by equity holders' equity.

STAFF

As at 31 December 2008, the Group employed 1,298 full-time staff (31 December 2007: 815), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and an employee share option scheme. Staff costs for the year ended 31 December 2008 increased to approximately HK$355,089,000 (year ended 31 December 2007: HK$296,407,000).

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 2008 the Group invested in listed and unlisted security investments with an estimated fair market value of approximately HK$50,522,000 (as at 31 December 2007: HK$76,638,000). Save as disclosed above, the Group has not held any other significant investment for the year ended 31 December 2008.

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 2008, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

Other than banking facilities amounting to approximately HK$11,061,000 (2007: HK$11,440,000) was utilities deposits. Deposits of approximately HK$3,020,000 (2007: HK$4,067,000) were pledged with a bank to secure a banking guarantee given to landlord of a subsidiary, the Group had no material contingent liabilities as at 31 December 2008 and 31 December 2007.

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 2008 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 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts of 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 in the Code.

Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2008, 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 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 procure 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 rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and 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, before and after the transfer of listing of its shares on the Main Board on 5 December 2008 respectively.

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 2008.

PUBLICATION OF RESULTS ANNOUNCEMENTS AND ANNUAL REPORTS

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 2008 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 2009.

On behalf of the Board
LIU Changle
Chairman

13 March 2009

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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008
(Amounts expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
Revenue	3	**1,392,059**	1,180,776
Operating expenses	5	**(947,507)**	(806,052)
Selling, general and administrative expenses	5	**(164,544)**	(128,300)
Other income			
Interest income	3	**14,902**	24,503
Other gains – net	3	**39,705**	59,314
Share of loss of jointly controlled entities		**(1,432)**	(1,067)
Profit before income tax		**333,183**	329,174
Income tax expense	6	**(57,594)**	(50,640)
Profit for the year		**275,589**	278,534
Attributable to:			
Equity holders of the Company		**286,824**	278,749
Minority interests		**(11,235)**	(215)
		275,589	278,534
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic earnings per share, Hong Kong cents	8	**5.79**	5.64
Diluted earnings per share, Hong Kong cents	8	**5.79**	5.62
Dividends	7	**94,134**	89,179

CONSOLIDATED BALANCE SHEET
As at 31 December 2008
(Amounts expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net		**27,214**	17,823
Lease premium for land		**367,530**	132,810
Property, plant and equipment, net		**506,018**	248,951
Intangible assets		**4,225**	2,705
Investments in jointly controlled entities		**6,851**	8,283
Investment in an associate		**5,564**	–
Available-for-sale financial assets		**962**	962
Financial assets at fair value through profit or loss	9	**28,024**	39,757
Prepayment for long-term assets		**84,895**	–
Deferred income tax assets		**6,320**	8,272
		1,037,603	459,563
Current assets			
Accounts receivable, net	10	**24,462**	25,666
Prepayments, deposits and other receivables		**430,663**	449,551
Inventories		**4,908**	4,585
Amounts due from related companies		**10,817**	3,840
Self-produced programmes		**2,299**	1,050
Purchased programme and film rights, net		**3,639**	2,889
Financial assets at fair value through profit or loss	9	**22,498**	36,881
Bank deposits		**129,837**	120,260
Restricted cash		**21,377**	22,511
Cash and cash equivalents		**423,283**	508,746
		1,073,783	1,175,979
Total assets		**2,111,386**	1,635,542

	Note	2008 $'000	2007 $'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**495,441**	495,042
Reserves			
Proposed final dividend		**94,134**	89,179
Others		**1,016,040**	801,144
		1,605,615	1,385,365
Minority interests		**223,826**	24,424
Total equity		**1,829,441**	1,409,789
LIABILITIES			
Non-current liabilities			
Provision for asset retirement reinstatement		**5,145**	4,912
Deferred tax liabilities		**16,387**	5,908
		21,532	10,820
Current liabilities			
Accounts payable, other payables and accruals	11	**144,889**	106,736
Deferred income		**106,882**	95,365
Amounts due to related companies		**205**	3,506
Profits tax payable		**8,437**	9,326
		260,413	214,933
Total liabilities		**281,945**	225,753
Total equity and liabilities		**2,111,386**	1,635,542
Net current assets		**813,370**	961,046
Total assets less current liabilities		**1,850,973**	1,420,609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008
(Amounts expressed in Hong Kong dollars)

		Attributable to the Company's equity holders							
	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note a)	Exchange reserve $'000	Employee share-based payment reserve $'000	(Accumulated deficits)/ retained earnings $'000	Minority interests $'000	Total equity $'000
Balance at 1 January 2007		494,213	726,217	–	7,229	–	(68,110)	7,139	1,166,688
Exchange differences arising on translation of the financial statements of foreign subsidiaries		–	–	–	5,465	–	–	–	5,465
Exercise of share options		829	8,139	–	–	–	–	–	8,968
Dividend related to 2006		–	(69,243)	–	–	–	–	–	(69,243)
Profit for the year		–	–	–	–	–	278,749	(215)	278,534
Employee share-based payment		–	–	–	–	1,877	–	–	1,877
Investment in a subsidiary by a minority shareholder		–	–	–	–	–	–	17,500	17,500
Allocation to statutory reserve		–	–	3,612	–	–	(3,612)	–	–
Balance at 31 December 2007		495,042	665,113	3,612	12,694	1,877	207,027	24,424	1,409,789
Balance at 1 January 2008		495,042	665,113	3,612	12,694	1,877	207,027	24,424	1,409,789
Exchange differences arising on translation of the financial statements of foreign subsidiaries		–	–	–	10,022	–	–	–	10,022
Exercise of share options		399	3,910	–	–	–	–	–	4,309
Dividend related to 2007	7	–	(89,179)	–	–	–	–	–	(89,179)
Profit for the year		–	–	–	–	–	286,824	(11,235)	275,589
Employee share-based payment		–	–	–	–	8,305	–	–	8,305
Exercise of share options of a subsidiary		–	–	–	–	(31)	–	116	85
Contribution from the minority shareholders		–	–	–	–	–	–	210,521	210,521
Allocation to statutory reserve		–	–	1,749	–	–	(1,749)	–	–
Balance at 31 December 2008		495,441	579,844	5,361	22,716	10,151	492,102	223,826	1,829,441

Note a: 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 and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is engaged 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"). The Company transferred the listing of its shares from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange and dealings in the shares on the Main Board commenced on 5 December 2008.

These consolidated financial statements are presented in HK dollars, unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of Phoenix Satellite Television Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by financial assets 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.

Standards, amendments and interpretations effective from 1 January 2008 adopted by the Group but have no significant impact on the Group's financial statements

HKFRS 7 and HKAS 1 Amendment	Financial Instruments: Disclosures and Presentation of Financial Statements – Capital Disclosures
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement

3. REVENUE AND OTHER 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:

	2008	2007
	$'000	*$'000*
		(Note a)
Revenue		
Advertising sales	**1,227,834**	1,037,898
Subscription sales	**62,975**	45,480
Magazine advertising and subscription or circulation sales	**33,184**	23,512
Technical services income	**50,698**	56,391
Others	**17,368**	17,495
	1,392,059	1,180,776
Other income		
Interest income, net	**14,902**	24,503
Exchange gain, net	**26,376**	25,583
Income from certificate of deposit	**–**	705
Sales of programmes	**52**	934
Investment income	**897**	4,726
Fair value loss on financial assets designated at fair value through profit or loss (realised and unrealised)	**(10,541)**	(2,616)
Gain on the formation of a subsidiary	**7,500**	17,500
Gain on the acquisition of a subsidiary	**12,146**	–
(Loss)/gain on disposal of property, plant and equipment	**(271)**	664
Others, net	**3,546**	11,818
	54,607	83,817

Note a: Certain of the 2007 comparative figures have been reclassified to conform to the current year's presentation. Certain income relating to ancillary television broadcasting and programme production has been reclassified from other income to revenue.

4. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into five main business segments including:

(i) Television broadcasting – broadcasting of television programmes and commercials and provision of promotion services;
(ii) Programme production and ancillary services;
(iii) New media – provision of website portal and value-added telecommunication services;
(iv) Outdoor media – provision of outdoor advertising services; and
(v) Other activities – merchandising services, magazine publication and distribution, and other related services.

	Year ended 31 December 2008						
	Television broad-casting *$'000*	**Programme production and ancillary services** *$'000*	**New media** *$'000*	**Outdoor media** *$'000* *(Note f)*	**Other activities** *$'000*	**Inter-segment elimination** *$'000*	**Group** *$'000*
Revenue							
External sales	**1,282,677**	**–**	**50,697**	**11,096**	**47,589**	**–**	**1,392,059**
Inter-segment sales	**–**	**27,048**	**–**	**–**	**–**	**(27,048)**	**–**
Total revenue	**1,282,677**	**27,048**	**50,697**	**11,096**	**47,589**	**(27,048)**	**1,392,059**
Segment results	**473,443**	**161**	**7,089**	**(31,528)**	**4,788**	**–**	**453,953**
Unallocated income *(Note a)*							**46,705**
Unallocated expenses *(Note b)*							**(166,043)**
Profit before share of results of jointly controlled entities, income tax and minority interests							**334,615**
Share of losses of jointly controlled entities							**(1,432)**
Income tax expense							**(57,594)**
Profit for the year							**275,589**
Minority interests							**11,235**
Profit attributable to equity holders of the Company							**286,824**
Segment assets *(Note c)*	**347,904**	**66,775**	**99,390**	**168,208**	**24,891**	**–**	**707,168**
Unallocated assets *(Note c)*							**1,404,218**
Total assets							**2,111,386**
Segment liabilities *(Note d)*	**(146,001)**	**(6,855)**	**(15,879)**	**(38,035)**	**(15,777)**	**–**	**(222,547)**
Unallocated liabilities							**(59,398)**
Total liabilities							**(281,945)**
Capital expenditure *(Note e)*	**(105,805)**	**(187)**	**(3,211)**	**(49,474)**	**–**	**–**	**(158,677)**
Unallocated capital expenditure							**(368,075)**
							(526,752)
Segment depreciation	**(13,060)**	**(930)**	**(2,251)**	**(1,318)**	**(60)**	**–**	**(17,619)**
Unallocated depreciation							**(8,370)**
							(25,989)
Provision for impairment of accounts receivables	**(3,537)**	**–**	**–**	**–**	**–**	**–**	**(3,537)**
Amortisation of purchased programme and film rights	**(25,138)**	**–**	**–**	**–**	**–**	**–**	**(25,138)**
Reversal of previously written off accounts receivables	**1,433**	**–**	**–**	**–**	**–**	**–**	**1,433**

	Year ended 31 December 2007						
	Television broad-casting *$'000*	Programme production and ancillary services *$'000*	New media *$'000*	Outdoor media *$'000* *(Note f)*	Other activities *$'000*	Inter-segment elimination *$'000*	Group *$'000*
Revenue							
External sales	1,081,676	5,433	56,391	–	37,276	–	1,180,776
Inter-segment sales	204	27,392	–	–	265	(27,861)	–
Total revenue	1,081,880	32,825	56,391	–	37,541	(27,861)	1,180,776
Segment results	367,534	181	25,313	(680)	5,669	–	398,017
Unallocated income *(Note a)*							74,998
Unallocated expenses *(Note b)*							(142,774)
Profit before share of results of jointly controlled entities, income tax and minority interests							330,241
Share of losses of jointly controlled entities							(1,067)
Income tax expense							(50,640)
Profit for the year							278,534
Minority interests							215
Profit attributable to equity holders of the Company							278,749
Segment assets *(Note c)*	96,195	53,266	82,284	70,809	13,299	–	315,853
Unallocated assets							1,319,689
Total assets							1,635,542
Segment liabilities *(Note d)*	(139,668)	(5,898)	(19,278)	–	(9,218)	–	(174,062)
Unallocated liabilities							(51,691)
Total liabilities							(225,753)
Capital expenditure *(Note e)*	(18,612)	(1,081)	(3,517)	–	–	–	(23,210)
Unallocated capital expenditure							(209,876)
							(233,086)
Segment depreciation	(13,434)	(1,741)	(1,685)	–	(60)	–	(16,920)
Unallocated depreciation							(10,512)
							(27,432)
Provision for impairment of accounts receivables	(5,547)	–	–	–	–	–	(5,547)
Amortisation of purchased programme and film rights	(17,799)	–	–	–	–	–	(17,799)
Reversal of previously written off accounts receivables	8,505	–	–	–	–	–	8,505

Notes:

(a) Unallocated income represents income recognised on formation of and additional capital injection into a subsidiary by the Group and another third party investor to undertake the outdoor media business, income recognised on the acquisition of a subsidiary and other gains such as exchange gain, interest income, fair value gain/(loss) on financial assets through profit and loss (realised and unrealised).

(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) Segment assets consist primarily of purchased programme and film rights, broadcast operations and other equipments, inventories, accounts receivable, and self-produced programmes.

Unallocated assets comprise other property, plant and equipment, lease premium for land, intangible assets, investments in jointly controlled entities, available-for-sale financial assets, financial assets at fair value through profit or loss, amounts due from related companies, deferred tax assets, prepayments, deposits and other receivables, bank deposits, and cash and cash equivalents.

(d) Segment liabilities consist primarily of certain payables and deferred income.

Unallocated liabilities comprise of provision for asset retirement reinstatement, deferred tax liabilities, other payables and accruals, amounts due to related companies and profits tax payable.

(e) Capital expenditure comprises additions to property, plant and equipment, lease premium for land and intangible assets.

(f) The outdoor media business segment started operations in 2008. The 2007 comparative figures have been separated from unallocated expenses and unallocated assets.

Secondary reporting format – geographical segments

	Year ended 31 December 2008		
	Revenue	**Total assets**	**Capital expenditure**
	$'000	***$'000***	***$'000***
The People's Republic of China	1,257,202	881,825	326,545
Hong Kong	30,297	1,187,538	198,074
United States	50,303	19,377	1,208
Europe	22,283	18,433	58
Others	31,974	4,213	867
	1,392,059	2,111,386	526,752

	Year ended 31 December 2007		
	Revenue	Total assets	Capital expenditure
	$'000	*$'000*	*$'000*
The People's Republic of China	1,074,139	516,090	33,614
Hong Kong	21,287	1,077,522	197,115
United States	42,040	18,664	813
Europe	18,488	18,101	1,118
Others	24,822	5,165	426
	1,180,776	1,635,542	233,086

Revenue is based on the country in which the customer is located. Total assets and capital expenditure are based on the country where the assets are located.

5. PROFIT BEFORE INCOME TAX

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

	2008	2007
	$'000	*$'000*
Crediting		
Gain on disposal of property, plant and equipment	**–**	664
Reversal of previously written off accounts receivable	**1,433**	8,505
Reversal of provision for impairment of accounts receivable	**5,792**	5,192
Written back of prepayments, deposits and other receivables	**1,417**	–
Gain on the formation and additional capital injection into a subsidiary	**7,500**	17,500
Gain on the acquisition of a subsidiary	**12,146**	–
Investment income	**897**	4,726
Charging		
Fair value loss on financial assets at designated fair value through profit or loss (realised and unrealised)	**10,541**	2,616
Amortisation of purchased programme and film rights	**25,138**	17,799
Production costs of self-produced programmes	**134,676**	133,130
Commission expenses	**238,851**	199,805
Transponder rental	**30,118**	21,052
Provision for impairment of accounts receivable	**3,537**	5,547
Provision for impairment of prepayments, deposits and other receivables	**–**	6,874
Employee benefit expenses (including Directors' emoluments)	**355,089**	296,407
Operating lease rental in respect of		
Directors' quarters	**1,358**	1,322
Land and buildings of third parties	**23,352**	18,842
Loss on disposal of property, plant and equipment	**271**	–
Depreciation expenses	**25,989**	27,432
Amortisation of lease premium for land	**1,742**	1,402
Auditor's remuneration	**3,020**	2,835
Impairment of property, plant and equipment	**–**	226
Service charges paid to related parties	**55,301**	57,977
Film licence fees paid to a related party	**13,603**	20,413

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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.

	2008	2007
	$'000	*$'000*
Current income tax		
Hong Kong profits tax	**58,172**	43,825
Overseas taxation	**298**	3
Over provision of profits tax in the prior year	**(3,431)**	(1,844)
Deferred income tax	**2,555**	8,656
	57,594	50,640

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. ("Shenzhou") in the PRC (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future 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.

7. DIVIDENDS

The 2007 final dividends paid during the year ended 31 December 2008 were HK$89,179,000 (HK$0.018 per share). The directors recommend the payment of a final dividend of HK$0.019 per ordinary share, totalling HK$94,134,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 19 June 2009. These financial statements do not reflect this dividend payable.

	2008	2007
	$'000	*$'000*
Proposed final dividend of HK$0.019 (2007: HK$0.018) per share	**94,134**	89,179

8. EARNINGS PER SHARE

Basic

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

	2008	2007
Profit attributable to equity holders of the Company *($'000)*	**286,824**	278,749
Weighted average number of ordinary shares in issue *('000)*	**4,954,316**	4,946,338
Basic earnings per share *(Hong Kong cents)*	**5.79**	5.64

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 Company has one category of dilutive potential ordinary shares which is share options. A calculation is done to determine the number of 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. 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.

	2008	2007
Profit attributable to equity holders of the Company used to determine diluted earnings per share *($'000)*	**286,824**	278,749
Weighted average number of ordinary shares in issue *('000)*	**4,954,316**	4,946,338
Adjustment for share options *('000)*	**261**	15,383
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,954,577**	4,961,721
Diluted earnings per share *(Hong Kong cents)*	**5.79**	5.62

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	$'000	*$'000*
Investments at fair value	**50,522**	76,638
Less: Non-current portion	**(28,024)**	(39,757)
	22,498	36,881

The above investments were designated as fair value through profit or loss on initial recognition. Investments with a maturity longer than one year at the inception date are classified as non-current. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other income in the consolidated income statement (Note 3).

As at 31 December 2008, the financial assets at fair value through profit and loss represent the shares of HSBC Holdings PLC ("HSBC") of HK$22,498,000 and a commodity index participation note of HK$28,024,000.

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 closing price of the shares of HSBC was lower than HK$135.6945, 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 on the consolidated income statement since then. As at 31 December 2008, the closing price of the shares of HSBC was HK$73.7. If the price of the shares of HSBC increases/decreases by 50% with all other variables held constant, post-tax profit for the year would have been HK$11,249,000 higher/lower.

The commodity index participation note will mature in October 2010. This commodity index participation note is 100% principal protected at maturity and noteholders will get back at least their capital invested if they hold the notes to maturity. This investment contains an embedded derivative which has an option tied to the changes in a commodity index. Management designated the investment as a financial asset at fair value through profit and loss at initial recognition.

This commodity index participation note is not publicly traded and in the absence of readily available information to determine the fair values of these investments, the Group has adopted the indicative market value provided by the issuer as its best estimate of the fair value of this investment.

10. ACCOUNTS RECEIVABLE, NET

	2008	2007
	$'000	*$'000*
Accounts receivable	**29,768**	34,289
Less: Provision for impairment of receivables	**(5,306)**	(8,623)
	24,462	25,666

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 customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

The aging analysis of the accounts receivable from customers is as follows:

	2008	2007
	$'000	*$'000*
0-30 days	**14,021**	10,320
31-60 days	**5,713**	6,062
61-90 days	**1,354**	3,843
91-120 days	**2,352**	2,821
Over 120 days	**6,328**	11,243
	29,768	34,289
Less: Provision for impairment of receivables	**(5,306)**	(8,623)
	24,462	25,666

11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2008	2007
	$'000	*$'000*
Accounts payable	**34,276**	12,740
Other payables and accruals	**110,613**	93,996
	144,889	106,736

The aging analysis of the accounts payable is as follows:

	2008	2007
	$'000	*$'000*
0-30 days	**11,859**	8,138
31-60 days	**1,342**	1,875
61-90 days	**4,808**	534
91-120 days	**6,078**	466
Over 120 days	**10,189**	1,727
	34,276	12,740

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

As at the date of this announcement, the board of directors of the Company comprises Mr. LIU Changle (Chairman), Mr. CHUI Keung and Mr. WANG Ji Yan as the Executive Directors; Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. Paul Francis AIELLO, Mr. LAU Yu Leung, John and Mr. GONG Jianzhong as the Non-executive Directors; Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK as the Independent Non-executive Directors. Mr. GAO Jack Qunyao is the Alternate Director to Mr. Paul Francis AIELLO and Mr. LAU Yu Leung, John.