

## **PRESS RELEASE**

### **Phoenix Satellite Television Holdings Limited (Stock Code: 02008)**

#### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

The Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited (Stock Code: 02008) (the "Company"), Mr. Liu Changle, said today that he was very pleased to announce the Company's annual results for the 2011 financial year. During the year the Company and its subsidiaries (collectively, the "Group") enjoyed major successes on a number of fronts, and revenue and operating profit for the year were approximately HK\$3,639,445,000 and HK\$912,349,000 respectively, which represented increases of 41.9% and 26.2% respectively over 2010. The Non-GAAP profit attributable to owners of the Company, which included the gain on the 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 2010. 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.

#### **FINANCIAL SUMMARY**

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 Phoenix New Media Limited ("PNM") through a separate listing on the New York Stock Exchange 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 Hong Kong Generally Accepted Accounting Principles ("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.

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”. As the Group retains control over PMM Beijing after its restructuring, 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 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

## Summary of Segmental Information

	Year ended 31 December			
	2011		2010	
	Revenue HK\$'000	Result HK\$'000	Revenue HK\$'000	Result 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	<u>3,639,445</u>	<u>419,265</u>	<u>2,565,390</u>	<u>788,126</u>
Unallocated income		35,565		12,103
Unallocated expenses		<u>(295,042)</u>		<u>(245,519)</u>
Profit before share of results of jointly controlled entities and an associate, income tax and non- controlling interests		<u>159,788</u>		<u>554,710</u>

\* 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, 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 (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 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 of the previous 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 mobile telecommunications networks, contributed to raising the Group's profile as a television broadcaster. The revenue of the new media business for the year 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.

## **Business Overview and Prospects**

During the 2011 financial year the 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 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 spin-off and 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.

**Phoenix Satellite Television Holdings Limited**  
**15 March 2012**

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## ABOUT PHOENIX

Phoenix Chinese Channel was launched on 31 March 1996, with the aim of offering quality content to Chinese communities around the world. The dynamism of this massive market, combined with successful expansion strategies, has allowed Phoenix to develop a comprehensive multi-channel platform. Today, Phoenix Chinese, Phoenix Movies, Phoenix InfoNews, Phoenix Chinese News and Entertainment, Phoenix North America Chinese and Phoenix Hong Kong channels together broadcast to audiences in the Asia Pacific, Europe, America and Africa, covering more than 150 countries and regions. The mission of the group is to offer varied, high-quality content to the global Chinese population.

Phoenix Satellite Television Holdings Limited is listed on the Main Board of The Stock Exchange of Hong Kong.

Phoenix New Media Limited, an indirect non-wholly owned subsidiary of the Group, is listed on the New York Stock Exchange.

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