PHOENIX

Media Investment (Holdings) Limited
鳳凰衛視投資(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號 : 02008

EVER-CHANGING
與時俱進 永不停步

ANNUAL REPORT 2017年度報告

(formerly known as 前稱「Phoenix Satellite Television Holdings Limited 鳳凰衛視控股有限公司」)

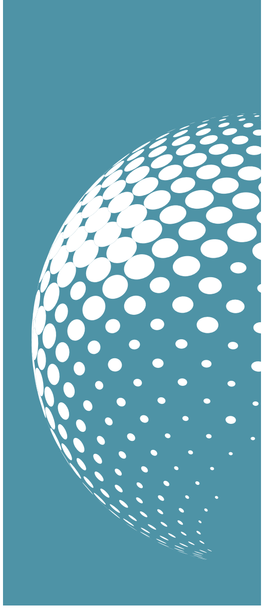
MISSION STATEMENT 公司使命

Pursuing the vision of being the "Chinese connection", both among Chinese communities and between Chinese communities and the rest of the world, Phoenix seeks to provide Chinese everywhere with a continuous stream of Chinese-language programming, ranging from entertainment, talk shows and Asian and Western movies through to balanced, accurate and up-to-the-minute news and information about political and economic developments around the globe.

By performing these functions, Phoenix fulfills its mission of bringing China closer to the world and the world closer to China.

全力向着成為各華人群體之間，以及華人群體與世界各地之間的「華語聯繫」的願景發展，鳳凰分享無間的華語節目，包括娛樂、評論節目、亞洲及西方影片、平衡準確的即時新聞，以及全球政治及經濟發展的資訊。

通過演繹這些角色，鳳凰不單令世界逐漸走向中國，同時亦令中國逐漸走向世界。

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
LIU Changle *(Chairman and CEO)*
CHUI Keung *(Deputy CEO)*
WANG Ji Yan

Non-executive Directors
SHA Yuejia
XIA Bing
GONG Jianzhong
SUN Yanjun

Independent Non-executive Directors
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei
HE Di

Alternate Director
LAU Wai Kei, Ricky

COMPLIANCE OFFICER
CHUI Keung

COMPANY SECRETARY
YEUNG Ka Keung, A.C.A.

CAYMAN ISLANDS ASSISTANT SECRETARY
Conyers Trust Company (Cayman) Limited

QUALIFIED ACCOUNTANT
YEUNG Ka Keung, A.C.A.

AUDIT COMMITTEE
Thaddeus Thomas BECZAK *(Chairman)*
LEUNG Hok Lim
GONG Jianzhong

NOMINATION COMMITTEE
Thaddeus Thomas BECZAK *(Chairman)*
LEUNG Hok Lim
CHUI Keung

REMUNERATION COMMITTEE
Thaddeus Thomas BECZAK
LEUNG Hok Lim
XIA Bing

RISK MANAGEMENT COMMITTEE
CHUI Keung *(Chairman)*
Thaddeus Thomas BECZAK
LEUNG Hok Lim
GONG Jianzhong
YEUNG Ka Keung
HE Daguang

INDEPENDENT AUDITOR
PricewaterhouseCoopers

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

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Cayman Islands

PRINCIPAL SHARE REGISTRAR
SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR
Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications
CITIC Bank International Limited
China Merchant Bank

WEBSITES
www.ifeng.com
www.irasia.com/listco/hk/phoenixtv

STOCK CODE
02008

CHAIRMAN'S STATEMENT

Although traditional media trading environment is still critical, revenue from both outdoor media business and internet media business were increased.

The Group's revenue for the year ended 31 December 2017 were approximately HK$3,957,487,000, which represented an increase of 4.2% over the previous year.

CHAIRMAN'S STATEMENT

Financial Summary

- **Revenue for the year ended 31 December 2017 was approximately HK$3,957,487,000, which represented an increase of 4.2% over the previous year.**
- **Profit attributable to owners of Phoenix Media Investment (Holdings) Limited (the "Company") was approximately HK$286,248,000, which represented an increase of 24.2% over the previous year.**
- **The board of directors of the Company (the "Board") recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company ("Share(s)").**

Results

The revenue of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 was approximately HK$3,957,487,000 (year ended 31 December 2016: HK$3,798,273,000), which represented an increase of 4.2% over the previous year. Although traditional media trading environment is still critical, revenue from both outdoor media business and internet media business were increased. The operating costs have increased by 5.9% to approximately HK$3,829,558,000 (year ended 31 December 2016: HK$3,617,143,000) over the previous year. Increase in operating costs was primarily due to increase in advertising and promotion cost of internet media business.

The operating profit of the Group for the year ended 31 December 2017 was approximately HK$127,929,000 (year ended 31 December 2016: HK$181,130,000), which represented a decrease of 29.4% over the previous year.

Fair value gain on derivative financial instruments related to subsequent measurement of internet media's investment in Particle Inc. for the year ended 31 December 2017 was approximately HK$285,352,000 (year ended 31 December 2016: HK$182,050,000).

Fair value gain of approximately HK$44,868,000 (year ended 31 December 2016: HK$21,127,000) was recognized for the investment properties in Beijing and London.

The net exchange gain of the Group for the year ended 31 December 2017 was approximately HK$8,083,000 (year ended 31 December 2016: loss HK$55,812,000) mainly resulting from the appreciation of the Renminbi.

The profit attributable to owners of the Company was approximately HK$286,248,000 (year ended 31 December 2016: HK$230,515,000), which represented an increase of 24.2% over the previous year.

CHAIRMAN'S STATEMENT

The chart below summarises the performance of the Group for the year ended 31 December 2017 and the year ended 31 December 2016 respectively.

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Television broadcasting	**1,336,615**	1,430,947
Internet media	**1,733,094**	1,629,661
Outdoor media	**721,436**	610,295
Real estate	**29,464**	27,606
Other businesses	**136,878**	99,764
Group's total revenue	**3,957,487**	3,798,273
Operating costs	**(3,829,558)**	(3,617,143)
Operating profit	**127,929**	181,130
Fair value gain on investment properties	**44,868**	21,127
Net gain on internet media investment		
Fair value gain on derivative financial instruments	**285,352**	182,050
Interest income	**136,124**	101,611
Exchange gain/(loss), net	**8,083**	(55,812)
Gain on deemed disposal of a subsidiary	**5,007**	49,344
Other income, net	**16,812**	18,225
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**624,175**	497,675
Share of results of joint ventures and associates	**(13,743)**	(17,852)
Income tax expense	**(89,579)**	(81,809)
Profit for the year	**520,853**	398,014
Non-controlling interests	**(234,605)**	(167,499)
Profit attributable to owners of the Company	**286,248**	230,515
Basic earnings per share, Hong Kong cents	**5.73**	4.61

CHAIRMAN'S STATEMENT

Business Overview and Prospects

The Group experienced steady growth in 2017 with its omni-media business structure continuously becoming more integrated and innovative. Determined to upgrade its strategies, the Group has been developing budding businesses in emerging industries and has continuously received awards including "China's 500 Most Valuable Brands", "Asia's 500 Most Influential Brands", "The World's 500 Largest Media Companies", and the "Phoenix TV" brand retains its credibility and wide influence, with the Chinese language media across the globe.

On 7 March 2018, "Phoenix Satellite Television Holdings Limited" was renamed "Phoenix Media Investment (Holdings) Limited", to reflect the Group's decades of media experience, its adherence to the totemic brand of "Phoenix TV", and its proactive responsiveness to the Group's reform of strategies, tactics and management mechanism for future development.

Based in Hong Kong with nearly 60 news bureaux and correspondent stations worldwide, Phoenix TV delivers first-hand news to the Chinese audience globally and adheres to the integrated news reporting standards of "Chinese perspective", "patriotic sentiment", "live-broadcasting as a priority" and "exclusivity and uniqueness". In 2017, our global Phoenix TV team witnessed and reported world events such as China's Great Power Diplomacy, the 19th National Congress of the Communist Party of China, the 20th anniversary of Hong Kong's return to China, United States President Donald Trump's visit to China, the Korean Peninsula nuclear issue, etc., drawing widespread attention and applause from Chinese communities.

The Group's television broadcasting business, following the philosophy of "omni-media distribution service", is now innovating creative content production and restructuring the programme presentation. The Group also seeks to provide customized programme content and services for its clients and has established strategic partnership with a number of leading companies in China. Meanwhile, the Group has expanded its global distribution channels to reach audiences worldwide through satellite, cable networks, mobile internet, over-the-top platforms and social media, satisfying the demands from groups using distinct devices. Built on the Phoenix TV brand and taking advantage of its international reputation, the "Phoenix Global Brand Project" assists our strategic partners to explore global markets and build internationally known brands.

The Group takes "ifeng.com" as its core internet media platform and strengthens its mobile strategies to enhance its influence and its ability to monetize mobile traffic. The flagship product "ifeng News APP" has become one of the most popular news apps in China. At the same time, while exploring media patterns based on big data, artificial intelligence and cloud computing, the Group strategically invested in Yidian Zixun, an information platform featuring individual customized, information and news feed functions. In October 2017, Yidian Zixun became the first media platform to obtain from the PRC government the "Internet News Information Service Licence", which allow it to provide reproduction and communication platform services of online news and information not only on its website, but also on its mobile APP and self-media platforms. Yidian Zixun has now been developed as a highly competitive media platform.

Through continuous efforts in the past 10 years, the Group's outdoor media platform "Phoenix Metropolis Media" has grown into the largest and most influential outdoor LED media operator in mainland China emphasizing innovation and development, and achieved significant growth in both revenue and profits in 2017. Following the launch of the Phoenix LED Alliance, the naked-eye 3D big screen video advertising and mobile marketing system have been well-received by customers and have maintained its leading position in the industry.

CHAIRMAN'S STATEMENT

On the basis of continuing to adhere to and maintain its role as a leading Chinese media content provider, the Group relies on the Phoenix brand and high-end contents and leverages on forefront digital technology to incubate and continuously invest in projects that are valuable and based on sustainable business models. The Group now has a diversified portfolio of business covering animated comics, games, digital technologies, creative culture, cloud technology services, education, exhibitions and other fields.

The digital technology business of Phoenix is committed to represent the beauty of Chinese culture and art to the rest of the world by combining cutting-edge digital technology and culture. The Group achieved strategic cooperation with the Palace Museum, through which both parties will jointly hold a virtual-reality tour of the scene depicted in the painting "Along the River during the Qingming Festival" ("清明上河圖") in 2018. An indoor "LEJOY" theme park focusing on children education and "the Experience Hall of Virtual Reality Arena" positioned on e-sports, are already in operation.

"Phoenix Entertainment", a platform focused on the animated comics and games business, has obtained the copyrights to adapt the martial arts novels written by Mr. Jin Yong into comic format. We cooperated with "Tencent Comic" (騰訊動漫), the largest animated comics platform in China, to jointly launch three adapted comics – *Demi-Gods and Semi-Devils* (《天龍八部》), *The Smiling, Proud Wanderer* (《笑傲江湖》), and *Fox Volant of the Snowy Mountain* (《雪山飛狐》). With this foundation, our objective is to establish an all-rounded business surrounding the animated comics IP. In addition, a few mobile game products will be launched as well in 2018.

Other business segments of the Group have also been growing. iFeng Yun, a high-speed document transfer internet product developed by our cloud technology business unit, has a promising future in the film and television industry. The creative culture business unit is on the right track to expand in the arts (USALT APP platform), performance and culture tourism fields. Our educational business unit is working with hundreds of universities to offer digital technology-based distant learning courses; our exhibition unit has held exhibitions to promote domestic companies overseas, with the International Chinese Medicine Cultural Festival as an iconic project. In line with the urbanization trend in China, the Group is exploring some scaled creative cultural pilot projects with brand effects such as "cultural towns" and "cultural and creative bases". The Group has also achieved progress in the areas of internet finance and publishing.

In the post-information era driven by internet technology, Phoenix is well positioned to embrace technology advances, reformation and the future; and to accelerate changes in our strategies, business models, mechanism and products. Also, to highly value the in-depth integration of capital market and business development, a Phoenix Cultural Media Industrial Fund is established to support the strategic enhancement.

In the face of these dramatic changes, being innovative is the only way for Phoenix to achieve continuous success and new momentum. The Group will as always continue to adhere to the competitiveness of its brand and content, espouse professional journalism, and ultimately maximize the value of the Group for our shareholders and faithful audience.

2017 ANNUAL HIGHLIGHTS

24 MARCH

At the "53rd Chicago International Television Festival", a Phoenix Satellite Television Company Limited ("**Phoenix TV**") program, *Journalist on the Spot: Syria, Between Ashes and Roses* (《記者再報告：敘利亞：不倒玫瑰》) won the Silver Plaque for Special Achievement in Cinematography; while the publicity film *Life Code Promo* was awarded the Certificate of Merit for Special Achievement in Visual Effects.

19 APRIL

"2017 International Academy Day in Beijing" was held at the Four Seasons Hotel Beijing. Nearly 60 guests, including the founders and senior management of state-owned or privately-run television operators from 17 countries, gathered in Beijing and attended this international media event for people engaged in the television industry.

25 APRIL

At the award ceremony of the "New York Festivals World's Best TV & Films 2017", which was held in Las Vegas, *Phoenix TV 20th Anniversary Image* won the Gold World Medal in the Art Direction category and the Finalist Certificate in the Special Visual Effects category. Meanwhile, the publicity film of *Phoenix Focal Point* also obtained the Finalist Certificate in the Production Design category.

22 JUNE

At the "World Brand Summit" which was hosted by the World Brand Lab in Beijing, an analytical report on *The 14th China's 500 Most Valuable Brands 2017* was released. According to this 2017 report, which was based on the analysis of financial information, brand strength and consumer behavior, Phoenix TV has been on this list for 14 consecutive years, ranking among the top three in China's 500 Most Valuable Brands in the cultural media industry together with CCTV and the People's Daily.

2017 ANNUAL HIGHLIGHTS

22 AUGUST

The first “the Belt and Road” TV Forum held by Phoenix TV came to a successful conclusion at the Phoenix Centre in Beijing. This Forum was organised by Phoenix TV with various participants from the political, business and academic sectors and the mainstream media, exchanging opinions on and discussing how Chinese enterprises should assess the situation to realise a marvelous evolution from national brands to world-class iconic ones amid the fierce overseas competition with the background of “the Belt and Road”.

28 SEPTEMBER

The World Brand Lab and the World Executive Group held the 12th Asia's 500 Most Influential Brands 2017 in Hong Kong and for the 12th time Phoenix TV has been named one of the most influential brands in Asia, and was ranked two places higher than last year, and once again was included as one of the four most influential television media brands in Asia.

2 NOVEMBER

The Global Brand Conference of Phoenix TV was held in the Phoenix Centre in Beijing. The conference attracted the attention of various sectors of the community, with a total of 500 participants attending, including from international institutions, government departments, the business community, international chambers of commerce, domestic and foreign media, and some experts and scholars. Mr. Li Hairong, a professor in the Department of Communication at Michigan State University in the US, and Mr. Chen Fuguo, chairman of Meta Think Genyuan Consulting Group, each gave a professional interpretation on the globalization of enterprise brands at the conference. Phoenix TV presenters and commentators, such as Sally Wu, Tiger Hu, Xu Gehui, Wang Luxiang, Yuchi Linjia and Fu Xiaotian, also attended the event, sharing their stories with Phoenix TV and making introductions to Phoenix TV's programme highlights in 2018. Leaders of Phoenix TV, including the management and the programme heads, also presented and delivered addresses and speeches at the conference.

11 DECEMBER

Mr. Tiger Hu, a Phoenix TV presenter, was awarded the honorable title of the “Top Ten Gold Presenters” in the first “Gold Presenters” Host Selection Event. The “Gold Presenters” Host Selection Event was organised by the Chinese Culture Promotion Society as a nationwide election for the most popular hosts elected from the professional members of the Host Committee in three main global areas of Chinese radio broadcasting, television and new media. The title of “Gold Presenters” is a top honour for Chinese programme presenters.

A GLOBAL MEDIA ORGANISATION

ASIA PACIFIC

As a satellite broadcaster, Phoenix Satellite Television Company Limited ("**Phoenix TV**") is primarily distributed by AsiaSat 7, which has a footprint covering the Asia-Pacific region. In the Mainland China, Phoenix is downlinked to many regional cable networks by APSTAR-6, and in Hong Kong it is on all major distribution systems. In many other countries and regions, Phoenix is also carried by local operators.

MALAYSIA

Phoenix TV is carried by Astro, the major DTH operator.

SINGAPORE

Phoenix TV is carried by StarHub.

INDONESIA

Phoenix TV is carried by First Media, Skynindo, Big TV and MyRepublic.

THAILAND

Phoenix TV is carried by True Visions.

PHILIPPINES

Phoenix TV is carried by SKY Cable.

JAPAN

Phoenix TV is carried by Daifu.

AUSTRALIA

Phoenix TV is carried by TVB Anywhere and is also available from AsiaSat 7.

NEW ZEALAND

Phoenix TV is carried by World TV.

AFRICA

Phoenix Chinese News and Entertainment Channel ("**Phoenix CNE Channel**") is distributed through MIH platform to 38 countries in Africa, and is also transmitted over terrestrial TV network of StarTimes, covering 16 African countries including South Africa. Phoenix InfoNews Channel is distributed through ZTE platform to the whole Africa.

NORTH AND SOUTH AMERICA

Phoenix North America Chinese Channel ("**Phoenix NA Chinese Channel**"), Phoenix InfoNews Channel and Phoenix Hong Kong Channel are carried on satellite, cable, IP, OTT and mobile platforms such as Bell, DirecTV, Dish, Galaxy 3C, AT&T Uverse, CableVision, Comcast, COX, EnTouch, Flow, Hawaiian Telcom, NOVUS, Rogers, San Bruno, Shaw, Spectrum (Charter + Time Warner), Telus, Verizon FiOS, Windstream, Frontier, iTalkTV, Kylin TV, Charming China, Damai TV, ADTH, TVBI, Amazon, Contentport, Phoenix – USPhoenix – Contentport to cover North and South America.

EUROPE

Phoenix CNE Channel and Phoenix InfoNews Channel are carried by Astra 2G and Eutelsat 9A, which are downlinked to SKY, Free, Orange, Vodafone Kabel Deutschland GmbH (VfKD), Telekom Deutschland, MEO, Telefonica etc. and other mainstream cable and IPTV systems in Europe.

A GLOBAL MEDIA ORGANISATION

Phoenix Chinese Channel

Phoenix InfoNews Channel

Phoenix Hong Kong Channel

Phoenix CNE Channel

Phoenix NA Chinese Channel

Phoenix Movies Channel

PHOENIX GLOBAL REACH

Phoenix TV news bureaux and correspondent stations. Phoenix TV also uses materials from foreign independent bureaux based in Brazil, Canada, Mexico, Germany, Hungary, Pakistan and Spain.

GLOBAL OUTLOOK

Phoenix Satellite Television Company Limited ("**Phoenix TV**") is a Chinese language media with international coverage, its programmes are characterized by global vision and its dedication is to provide the Chinese-speaking audience with real-time world news and information from around the world.

In 2017, Phoenix TV reported on many major news stories around the world and also participated in a number of important international events. The following provides a sense of Phoenix TV's international role as a news reporter:

1. In July, U.S. President Donald Trump visited France and attended the Bastille Day celebrations and the military parade with French President Emmanuel Macron. France-US relations went through a series of waves due to Trump's "America First" policy and his withdrawal of the U.S. from the "Paris Climate Accord". Trump's visit to France and his interaction with Macron attracted much attention. Our correspondent station based in France reported on the whole journey and attended the international press conference jointly held by Trump and Macron, where our reporter Yan Ming asked questions about hotspot issues in the Sino-U.S. relationship and Sino-France relations, allowing the Chinese around the world to understand Trump's and Macron's views on China's President Xi Jinping and the trends in the development of Sino-U.S.–France relations.

2. In Myanmar's Rakhine State, the exodus of Rohingyas exploded as 600,000 residents fled from their homes to seek shelter in neighboring countries. Our reporter Alice Lau first visited Naypyidaw, the capital of Myanmar, in September to interview Myanmar's State Counsellor Aung San Suu Kyi in order to know the official attitudes before entering Rakhine State. As the first group of Chinese media to enter the area, we reported exclusively on the real conditions in the region, discussing in detail the origins of the Rohingya issue and the challenges they face.

3. In October, Las Vegas, the American city with the most casinos, was hit by the worst shooting incident in U.S. history. A gunman shot at the crowd attending a concert from the window ledge of the hotel where he stayed, eventually killing 59 people and injuring over 500. Many of our reporters stationed in the U.S. immediately mobilized to report on the scene of the shootings, the political and civil reactions to this tragic event, and track the identity of the gunman and how he planned and conducted the attack. They also reported on the issue of the illegal use of firearms in the U.S..

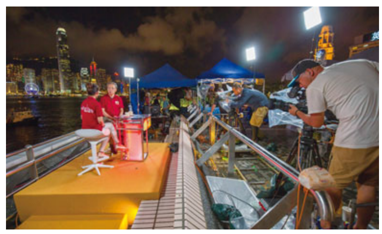
4. In December, President Trump announced the U.S.'s recognition of Jerusalem as Israel's capital and the plan to relocate the U.S. embassy in Israel from Tel Aviv to Jerusalem, which stirred a wave of protests in many countries in the Middle East and even in the world at large. The Palestinian demonstrations evolved into violent clashes. Our reporters stationed in Israel immediately reported on the official and civil reactions in both the Israel and Palestine to the Chinese audience around the world. Our reporter stationed in Britain, Jay Cao, was immediately dispatched to Jerusalem to keep abreast of developments in the incident. At the same time, our reporters around the world also reported on the anti-U.S. protests that took place in many countries and the turmoil caused by Trump's decision.

5. Trump, a rich U.S. businessman, was sworn in as President of the U.S. on January 20, which aroused controversy across the country. On the day of the inauguration, there were clashes between demonstrators and police in the capital Washington. Police fired tear gas and shock shells to disperse the crowds and arrested over 200 people. A wave of demonstrations continued on the following day after the presidential oath as anti-Trump gatherings were being held throughout the U.S. and in many cities around the world. Phoenix TV's reporter team in the U.S. and major correspondents around the globe produced live coverage of Donald Trump's inauguration and the protests against him.

6. There was a turbulent time on the Korean peninsula in 2017. The news of the assassination of Kim Jong-nam, an older half-brother of the North Korean leader Kim Jong-un, in Malaysia in February shocked the world. Phoenix TV dispatched several interview teams to Malaysia to conduct follow-up reports. The impeachment of South Korean President Park Geunhye in March led to serious political tensions in South Korea. An immediate election was arranged which resulted in Moon Jae-in winning the election and becoming President. Our reporters provided first-hand coverage of these events so as to offer the latest information in the fastest possible way.

7. The Kuomintang (KMT) suffered several crushing defeats in many elections in Taiwan, and personnel frictions also occurred within the KMT. A party chairperson election was held last May and received great attention from outsiders, leading to former deputy leader Wu Den-yih's victory. Wu Den-yih claimed after his victory that the KMT had various missions, the foremost of which was to make concerted and sincere efforts to overcome serious problems as well as promoting innovation so as to rebuild the trust and support of young people in the KMT, thereby making the KMT an opposition party with strong supervision. Our correspondent station in Taiwan made a series of reports on the election to explore the KMT's predicament, and provided a full coverage of the election.

8. 2017 was a memorable year which marked the 20th anniversary of Hong Kong's return to Chinese sovereignty. The General Secretary of the CPC Central Committee, Chinese President and Chairman of the Central Military Commission Xi Jinping paid a visit to Hong Kong and attended the Meeting Celebrating the 20th Anniversary of Hong Kong's Return to the Motherland and the Inaugural Ceremony of the Fifth-term Government of the HKSAR. China's first aircraft carrier "Liaoning" also arrived in Hong Kong for the anniversary celebration and for the first time, was open for the public to visit. Our global correspondents made a series of reports and conducted special interviews with a number of celebrities and politicians to give a review on the multiple achievements made by Hong Kong over the past two decades. Phoenix TV provided full coverage of Xi Jinping's visit and the Liaoning's arrival in Hong Kong.



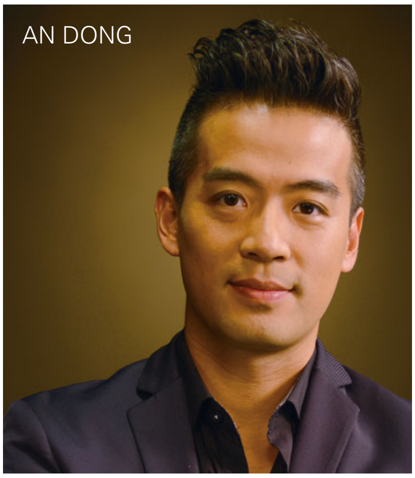
9. The situation in the Middle East has always been unpredictable. Last June, a number of countries suddenly announced that they would sever their diplomatic relations with Qatar, claiming that Qatar supported terrorist activities and undermined regional security. Qatar was then largely isolated. As its external traffic got blocked, people there began to rush out for food in fear that it would no longer be available. We dispatched our reporter Pan Chuyuan to Qatar to provide in-depth coverage of the impacts of the severed relationships on Qatar. He also conducted an exclusive interview with Qatar-based Al Jazeera in order to get an understanding of how this well-renowned television station, which was alleged to support terrorism, would deal with this unexpected crisis.

A GLOBAL TEAM

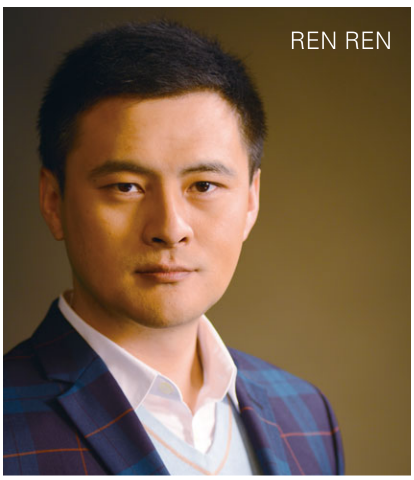
MAINLAND CHINA

To become a global broadcaster, core team of Phoenix Satellite Television Company Limited ("Phoenix TV") gathers elites from Mainland China, Taiwan, and Hong Kong as well as from the global Chinese community who holds the mission of propagating Chinese culture.

Many members in Phoenix TV presenter team are from different provinces and cities in China, and their extensive experience in television broadcasting has enhanced the professionalism of Phoenix TV programmes.



A GLOBAL TEAM

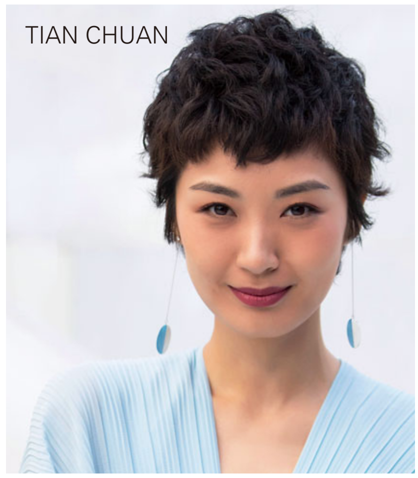


A GLOBAL TEAM

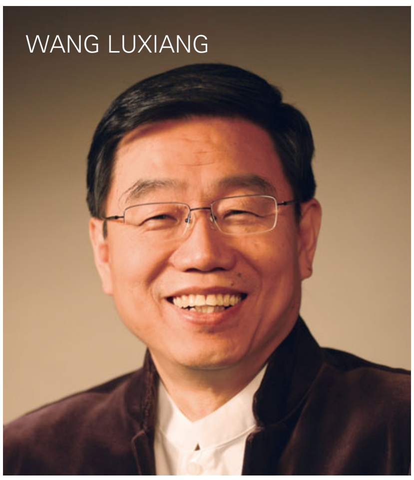
MAINLAND CHINA

LIU RUI

AI CHUYI



TIAN CHUAN



WANG LUXIANG

TIAN TONG

YUCHI LINJIA

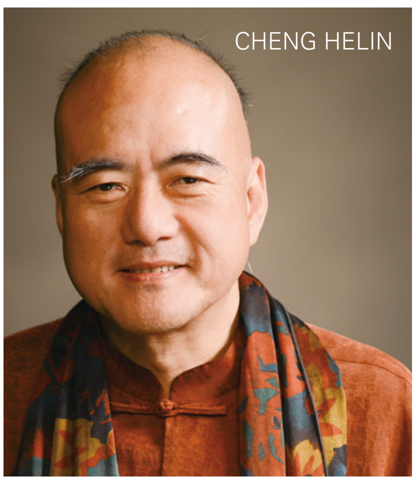
A GLOBAL TEAM


QUAN QUAN


GUO YANGZI


XU GEHUI


ZHAO QINGQING


CHENG HELIN


WANG YING

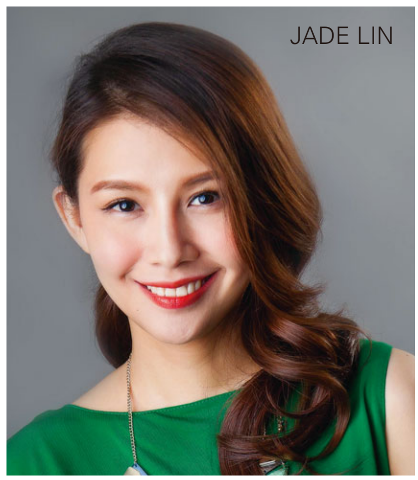

SONG ZHONGPING

A GLOBAL TEAM

TAIWAN

It is the mission of Phoenix TV to communicate with the Mainland China, Hong Kong and Taiwan. Therefore, some presenters of Phoenix TV are from Taiwan. Whether broadcast ways or political views on current affairs, all of which are unique, demonstrating the benefits from gathering elites and complementing each other.

A GLOBAL TEAM

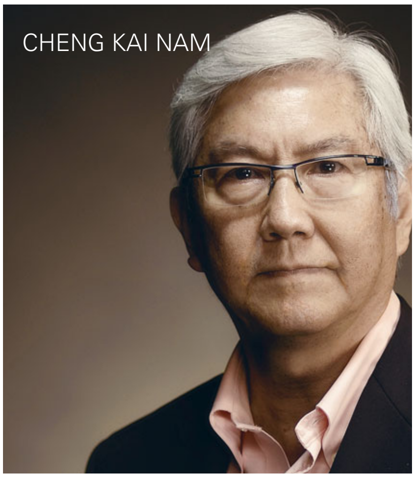


A GLOBAL TEAM

HONG KONG AND REST OF THE WORLD

With its Hong Kong based headquarter, Phoenix TV attracts a vast number of local television specialists, from the presenters, reporters to the production teams, creating all kinds of advantages for Phoenix TV.

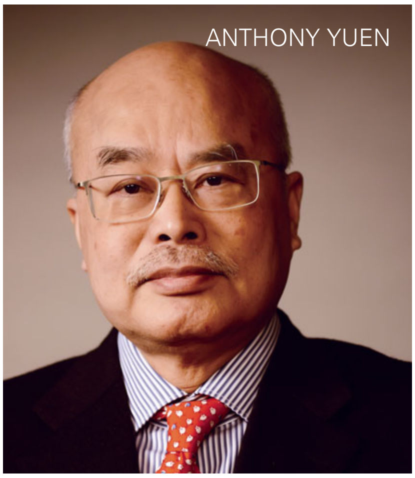
In addition, many Chinese talents in our presenter team are from all over the world and contribute to the success of today's Phoenix TV with their international perspective and the voice of Chinese people.



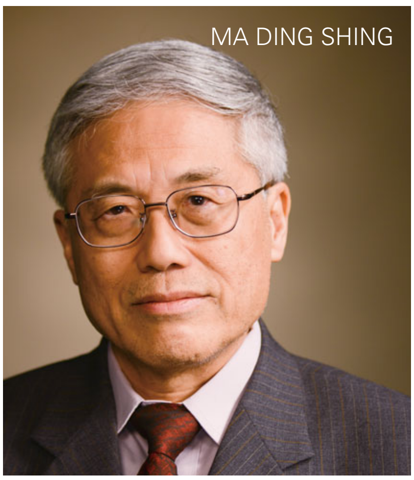
A GLOBAL TEAM

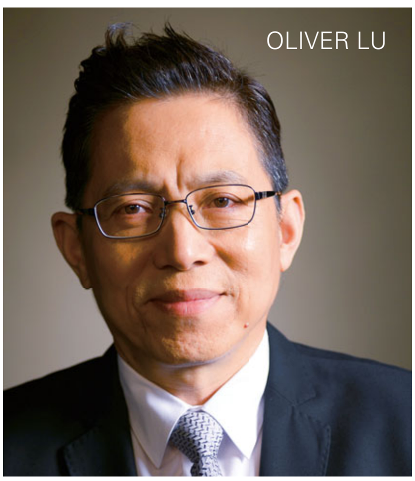
A GLOBAL TEAM

HONG KONG AND REST OF THE WORLD



A GLOBAL TEAM





THE CHINESE GATEWAY

According to the "Report on the Media Value of Phoenix TV under the Big Data Context (大數據背景下鳳凰衛視媒體價值報告)" published by China Mainland Media Research Co., Ltd. (CMMR) and Nielsen-CCData in October 2017, three core audience groups of the programmes produced by Phoenix Satellite Television Company Limited ("Phoenix TV") are government officials, business elites and middle class.

The government officials account for 3.4% of Phoenix TV audience, which is 2.83 times of the average level of the nationwide television audience. Among the government officials, 67% of them love to watch news programmes on Phoenix TV, whereas 32.2% of them watch Phoenix TV's programmes every week.

Phoenix TV appeals to business elites, namely the quality audience in the business sectors, which account for 19.3% of the audience and is 6.3 percentage points higher than the nationwide level. Among the business elites audience of Phoenix TV, 80.8% of them indicate that they like to watch news programmes on Phoenix TV.

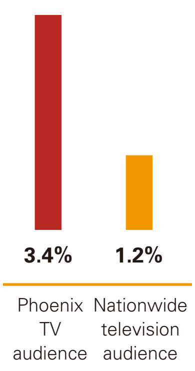
Phoenix TV also captivates the middle class, which accounts for 9.4% of Phoenix TV audience; it is far higher than the nationwide television audience level of 2.8% and 3.4 times more. The middle class pay more attention to Phoenix TV as compared with other income groups.

Source: "Report on the Media Value of Phoenix TV under the Big Data Context" from Nielsen-CCData & CMMR, October 2017

Phoenix TV has a Higher Proportion of Government Officials 2.83 Times of Nationwide Average Level

Phoenix TV audience has a higher proportion of government officials with greater social impact than the nationwide average level. According to the survey in 2017, among the audience of Phoenix TV, the government officials account for 3.4%, which is 2.83 times of the average level of the nationwide television audience. Among the government officials, 67% of them love to watch news programmes on Phoenix TV, whereas 32.2% of them watch Phoenix TV's programmes every week.

"Phoenix TV audience has a higher proportion of government officials, 2.2 percentage points notably higher than the nationwide average level"

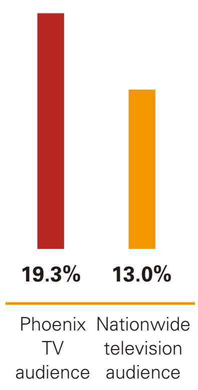


- Government officials represent the civil servants who perform public duties conferred by law and are incorporated into the administrative establishment, they are the staff of government affiliated institutions and police establishment with salaries and welfare borne by the nation, having certain rights and influence on dissemination.

Phoenix TV Audience 19.3% are Business Elites

Phoenix TV appeals to business elites, namely the quality audience in the business sectors, which account for 19.3% of the audience and is 6.3 percentage points higher than the nationwide level. Among the business elites audience of Phoenix TV, 80.8% of them indicate that they like to watch news programmes on Phoenix TV.

"Among the audience of Phoenix TV, the proportion of business elites is 6.3 percentage points higher than the nationwide level"



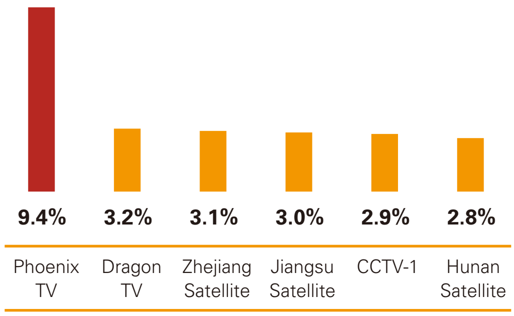
- Business elites are mainly represented by industrialists and businessmen, corporate management personnel and business enterprises' shareholders, who are able to make business decisions and have more decision-making power over the group's consumer products.

Source: CMMR • Survey Data Base of Television Coverage and Viewership Status in China (Source:2017.7.1-2017.8.31@CMMR Co.Ltd)

THE CHINESE GATEWAY

"The middle class is more attracted to Phoenix TV"

The middle class accounts for 9.4% of the audience of Phoenix TV, which is far higher than the nationwide television audience level of 2.8% and reaches 3.4 times more.

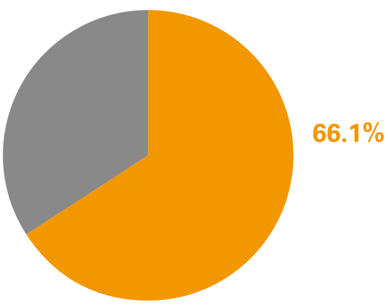


- The middle class generally represents a group of people with a monthly income of RMB8,000-30,000, they are well-educated and have professional knowledge, with better working abilities and household consumption power, they pursue a quality life.

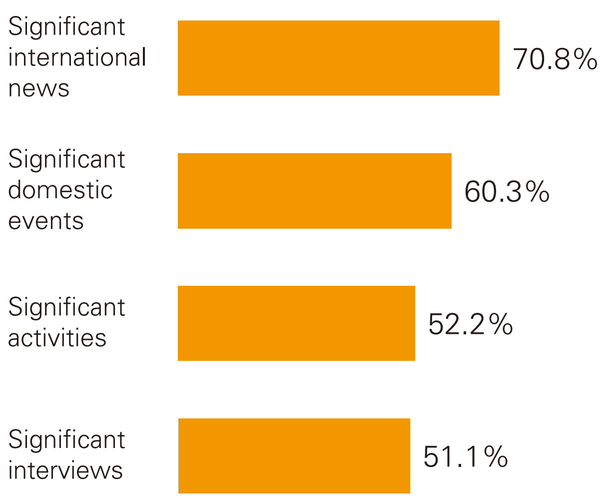
"Watch Phoenix TV for Big Events" Has Become a Habit of Audience

Phoenix TV is well known for her objective and unbiased positioning in the reportage of big events. To the audience, Phoenix TV is always the first choice for watching significant domestic and international events.

Percentage of choice of Phoenix TV regarding "objective and unbiased report and commentary"



Reasons for choosing Phoenix TV by the audience



Source: CMMR • Survey Data Base of Television Coverage and Viewership Status in China (Source:2017.7.1-2017.8.31@CMMR Co.Ltd)

MANAGEMENT DISCUSSION AND ANALYSIS

Comments on Segmental Information

	Year ended 31 December			
	2017		2016	
	Revenue HK$'000	**Segment result HK$'000**	Revenue HK$'000	Segment result HK$'000
Television broadcasting	**1,336,615**	**316,022**	1,430,947	417,619
Internet media	**1,733,094**	**453,583**	1,629,661	389,113
Outdoor media	**721,436**	**119,524**	610,295	67,283
Real estate	**29,464**	**(6,818)**	27,606	(47,251)
Other businesses	**136,878**	**(33,490)**	99,764	(7,442)
Group's total revenue and segment results	**3,957,487**	**848,821**	3,798,273	819,322
Unallocated income		**62,143**		28,080
Unallocated expenses		**(286,789)**		(349,727)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**624,175**		497,675

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 33.8% of the total revenue of Phoenix Media Investment (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2017, decreased 6.6% to approximately HK$1,336,615,000 (year ended 31 December 2016: HK$1,430,947,000). The critical traditional media trading environment has led to a decrease in the advertising income of the television broadcasting business. As the cost structure is relatively fixed, the segmental profit for the television broadcasting business reduced to approximately HK$316,022,000 for the year ended 31 December 2017 (year ended 31 December 2016: HK$417,619,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 30.7% of the total revenue of the Group for the year ended 31 December 2017, decreased 7.2% to approximately HK$1,216,859,000 (year ended 31 December 2016: HK$1,310,632,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased 0.5% to approximately HK$119,756,000 (year ended 31 December 2016: HK$120,315,000).

The revenue of the internet media business for the year ended 31 December 2017 increased 6.3% to approximately HK$1,733,094,000 (year ended 31 December 2016: HK$1,629,661,000). Although there was a decrease in PC platform advertising revenues, mobile platform advertising revenues recorded a significant increase. The segmental profit of the internet media business for the year ended 31 December 2017 increased 16.6% to approximately HK$453,583,000 (year ended 31 December 2016: HK$389,113,000). The increase in net gain related to the subsequent measurement of the investment in Particle Inc. was partially set off by the increase in advertising and promotion cost.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the outdoor media business for the year ended 31 December 2017 increased 18.2% to approximately HK$721,436,000 (year ended 31 December 2016: HK$610,295,000). The segmental profit of the outdoor media business for the year ended 31 December 2017 increased 77.6% to approximately HK$119,524,000 (year ended 31 December 2016: HK$67,283,000).

The segmental loss for the real estate business for the year ended 31 December 2017 was approximately HK$6,818,000 (year ended 31 December 2016: HK$47,251,000), which mainly comprises depreciation and interest expenses.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the section entitled "Business Overview and Prospects" in this report for commentary on the core business of the Group.

Dividends

The board of directors of the Company (the "**Board**" or "**Directors**") recommended the payment of a final dividend of 1 Hong Kong cent per ordinary share of the Company ("**Share(s)**") (final dividend for 2016: 1 Hong Kong cent), totaling approximately HK$49,935,000, equivalent to approximately 17.4% of profit attributable to owners of the Company, to be payable to shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company on Thursday, 14 June 2018. Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company ("**AGM**"), the final dividend will be payable on or around Friday, 22 June 2018.

Annual General Meeting

The AGM will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 6 June 2018, at 3:00 p.m.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

As at 31 December 2017, as a result of the exercise of share options by the option holders, the Group's equity interest in Phoenix New Media Limited ("**PNM**") was decreased from 55.45% to 54.96%.

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2017 remained solid. As at 31 December 2017, the Group had cash and current bank deposits totaling about HK$2,690,998,000 (as at 31 December 2016: HK$2,678,656,000). The aggregated outstanding borrowings of the Group were approximately HK$1,239,544,000 (as at 31 December 2016: HK$1,272,144,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of subsidiaries, secured and interest bearing bank borrowings to fund the investment in Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings. The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 54.6% as at 31 December 2017 (as at 31 December 2016: 52.5%).

Save as disclosed above, the financial position of the Group remained liquid. Most of the Group's monetary assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars ("**USD**") and Renminbi ("**RMB**"), with minimal balances in Pound Sterling and New Taiwan dollars. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD and RMB. The Group manages its foreign exchange risks by performing regular reviews and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks. Taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

Charge on Assets

As at 31 December 2017, the land and property in Chaoyang Park, Beijing, with carrying value of approximately HK$103,000,000, HK$412,000,000 and HK$1,555,000,000 (as at 31 December 2016: HK$102,000,000, HK$425,000,000 and HK$1,452,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the investment in Phoenix International Media Centre in Beijing. Bank deposit of approximately HK$781,666,000 (as at 31 December 2016: HK$807,162,000) was pledged with a bank to secure a bank borrowing to optimize return through interest difference and arrangement of external security within the loan. The property in the United States with carrying value of approximately HK$2,751,000 (as at 31 December 2016: HK$2,774,000) was pledged with a bank to secure a bank borrowing. Deposits of approximately HK$352,000 (as at 31 December 2016: HK$322,000) were pledged with a bank to secure banking guarantee given to the landlord of a subsidiary.

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2017 and 31 December 2016.

Capital Structure and Share Options

As at 31 December 2017, the authorized share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.10 each, of which 4,993,469,500 Shares (as at 31 December 2016: 5,000,999,500 Shares) had been issued and fully paid.

There was no option exercised under the Company's share option scheme during the year.

As at 31 December 2017, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of subsidiaries and banking facilities.

Staff

As at 31 December 2017, the Group employed 2,881 full-time staff (as at 31 December 2016: 2,872) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2017 increased to approximately HK$1,277,283,000 (year ended 31 December 2016: HK$1,185,144,000).

Significant Investments Held

As at 31 December 2017, the Group invested in listed security investments with estimated fair market value of approximately HK$24,406,000 (as at 31 December 2016: HK$19,003,000) recognized as "financial assets at fair value through profit and loss" and unlisted preferred shares of Particle Inc. recognized as "available-for-sale financial assets" and "derivative financial instruments" with estimated fair market value of approximately HK$705,712,000 (as at 31 December 2016: HK$605,849,000) and HK$721,002,000 (as at 31 December 2016: HK$440,261,000) respectively. Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2017.

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.

Contingent Liabilities

Various companies in the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2017, the Company has bought back 3,478,000 Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for a total consideration of HK$4,511,820. The buy-backs were made for the benefit of the Company and the Shareholders as a whole by enhancing the earnings per Share.

Details of the share buy-backs are disclosed as follows:

Trading Date	No. of Shares	Total Consideration	Price per Share	
			Highest	Lowest
		HK$	HK$	HK$
January 2017				
4	182,000	238,380	1.31	1.30
6	300,000	393,000	1.31	–
16	34,000	44,880	1.32	–
	516,000	676,260		
February 2017				
6	470,000	615,880	1.32	1.29
7	1,000,000	1,297,920	1.30	1.29
13	500,000	643,500	1.29	1.28
14	992,000	1,278,260	1.29	1.28
	2,962,000	3,835,560		
	3,478,000	4,511,820		

The above 3,478,000 Shares repurchased during the year were cancelled on 2 March 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities during the year.

Other Important Events and Subsequent Events

Discloseable Transaction Regarding Provision of New Loan to Particle Inc. and Extensions

On 20 January 2017, PNM entered into a loan agreement with Particle Inc., pursuant to which PNM agreed to grant to Particle Inc. a loan in the principal amount of RMB74,000,000 bearing interest at a rate of 9% per annum for a period of one (1) year ("**January 2017 Loan**"). On 28 January 2016, 5 April 2016, 10 August 2016 and 2 November 2016, PNM granted the loans in the principal amounts of US$10,000,000, US$10,000,000, US$14,800,000 ("**August 2016 Loan**") and RMB46,000,000, respectively, to Particle Inc. The January 2017 Loan, when aggregated with the previous loans which were granted within a 12-month period before, resulted in certain applicable percentage ratios exceeding 5% but all applicable percentage ratios being less than 25%, therefore constituted a discloseable transaction of the Company. For details, please refer to the Company's announcement dated 20 January 2017.

On 9 August 2017, PNM extended the August 2016 Loan from twelve (12) months to eighteen (18) months, while the other terms and conditions remain the same. The August 2016 Loan with a principal amount of US$14,800,000 would mature in February 2018 after the extension. In connection with the extension of the August 2016 Loan, Particle Inc. extended PNM's right to convert, at PNM's option, all or a part of the August 2016 Loan (including principal and interests) into Series D1 preferred shares to be issued by Particle Inc. to 9 February, 2018 ("**Series D1 Conversion Right**").

On 22 January 2018, PNM extended the terms of (1) the August 2016 Loan for a further six (6) months term to August 2018, and (2) the January 2017 Loan to July 2018 after the extension. The expiration date of PNM's Series D1 Conversion Right was accordingly extended to 9 August 2018.

On 29 September 2017, PNM, Particle Inc. and Long De Cheng Zhang Culture Communication (Tianjin) Co., Ltd. ("**Long De**") entered into an agreement pursuant to which PNM was expected to assign its rights under the August 2016 Loan to Long De or its affiliates amongst other matters (the "**Previous Agreement**"). Given the delay in completion of the transactions contemplated under the Previous Agreement, on 2 April 2018, the parties agreed to terminate the Previous Agreement and replace it with a loan assignment agreement, pursuant to which PNM will assign the August 2016 Loan to Long De or its affiliates with an assignment price of approximately US$17.0 million amongst other matters.

PNM currently owns approximately 41.82% of the total outstanding shares of Particle Inc. on an as-if converted basis.

Proposed Spin-off and Separate Listing of 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, "**Phoenix Metropolis**")

On 17 March 2017, the Company announced that the Board was considering the feasibility of a proposed spin-off and separate listing of Phoenix Metropolis, a subsidiary of the Company engaged in the outdoor media business in the PRC, on the Shenzhen Stock Exchange ("**Proposed Spin-off**"). The Proposed Spin-off is still at a preliminary stage. No application has been submitted to any PRC regulatory authorities or to the Stock Exchange pursuant to Practice Note 15 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in relation to the Proposed Spin-off. No final decision has been made by the Board as to whether and when the Proposed Spin-off will proceed.

Withdrawal of Application for the Domestic Free Television Programme Service Licence in Hong Kong

On 18 August 2017, Phoenix Hong Kong Television Limited ("**Phoenix HKTL**"), an indirect wholly-owned subsidiary of the Company, has submitted a written notice to the Communication Authority to withdraw the application for a domestic free television programme service licence in Hong Kong with digital terrestrial transmission ("**Application**"). Phoenix HKTL submitted the Application on 6 May 2016, and the Board resolved to withdraw the Application in light of (i) the current unfavourable market condition for domestic free television programme service in Hong Kong and (ii) the change in business/investment direction of the Company. Please also refer to the Company's announcement dated 18 August 2017.

Yidian's Receipt of Licence for Internet News Information Services from CAC

On 31 October 2017, 北京一點網聚科技有限公司(Beijing Yidianwanju Technology Co. Ltd., "**Yidian**"), an affiliated consolidated entity of Particle Inc. (in which PNM currently owns approximately 41.82% of its total outstanding shares on an as-if converted basis) received the licence for internet news information service ("**Licence**") from the 國家互聯網信息辦公室 (Cyberspace Administration of China, "**CAC**"). This is the first licence issued by CAC since the new Provisions for the Administration of Internet News Information Services《互聯網新聞信息服務管理規定》went into effect on 1 June 2017. The Licence issued to Yidian is applicable to both PC and mobile news services. In addition to news services, this Licence also explicitly authorizes Yidian to operate「一點號」Yidianhao, Yidian's we-media platform, in China.

New Trademark Licence Agreements with PNM subsidiaries

On 8 December 2017, Phoenix Satellite Television Trademark Limited ("**Phoenix Trademark Co**."), a wholly-owned subsidiary of the Company, entered into new trademark licence agreements ("**TM Agreements**") with two affiliated consolidated entities of PNM, being 怡豐聯合(北京)科技有限責任公司 and 北京天盈九州網路技術有限公司 (together as "**Licensees**"), to replace previous trademark licence agreements between the parties. Under the TM Agreements, the Company agreed to continue to license to the Licensees certain double-phoenix and other trademarks owned by Phoenix Trademark Co. The annual licence fee payable by each of the Licensees will be the greater of 2% of the Licensee's annual revenue or US$100,000.

Fund Raising Exercise for Phoenix Entertainment and Game Company Limited (鳳凰娛樂遊戲有限公司) Group

In early 2018, Phoenix Entertainment and Game Company Limited (鳳凰娛樂遊戲有限公司) ("**Phoenix Games**"), a subsidiary of the Company, entered into a round of fund raising exercise seeking external funds to support its business plans in the comic and games industry. Based on the then valuation of Phoenix Games and its subsidiaries ("**Phoenix Games Group**"), the amount to be raised was in a total of RMB100 million in exchange for a total of 5% equity interests in Phoenix Games Group.

On 22 January 2018, Phoenix Games entered into a strategic investment agreement with 深圳市國宏嘉信信息科技有限公司 ("**GuoHong**"), its overseas investment arm China Prosperity Capital Alpha Limited and various parties. GuoHong invested a sum of RMB50 million in return for a 2.5% equity interest (on a diluted basis) in Phoenix Games Group and the transaction was completed on 2 February 2018 ("**GuoHong Transaction**"). GuoHong is a private investment fund specializing in the mobile internet and pan entertainment industries of the Greater China region.

On 26 February 2018, Phoenix Games entered into another strategic investment agreement with 西藏明溪安同創業投資有限公司 ("**MingXi**") and various parties, the terms of which were similar to those of the GuoHong Transaction. Pursuant to the agreement, MingXi would invest a sum of RMB30 million in return for a 1.5% equity interest (on a diluted basis) in Phoenix Games Group ("**MingXi Transaction**"). MingXi is a subsidiary in an investment fund focusing on high new technology and innovative enterprises with sustainable growth, high competitiveness and good corporate governance.

On 16 March 2018, Phoenix Games entered into another strategic investment agreement with 寧波信達華建投資有限公司 ("**XinDa**"), its overseas investment arm China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司) and various parties, the terms of which were similar to those of the GuoHong Transaction and the MingXi Transaction. Pursuant to the agreement, XinDa would invest a sum of RMB20 million in return for a 1% equity interest (on a diluted basis) in Phoenix Games Group. XinDa is a wholly-owned subsidiary of China Cinda Assets Management Co., Limited (中國信達資產管理股份有限公司), one of the most prestigious investment brands in China.

Change of Company Name of the Company

On 25 January 2018, the Company announced the proposal to change the English name from "Phoenix Satellite Television Holdings Limited" to "Phoenix Media Investment (Holdings) Limited" and to change the dual foreign name in Chinese from "鳳凰衛視控股有限公司" to "鳳凰衛視投資(控股)有限公司" in line with its business directions. The proposed change of company name is subject to: (i) approval by a special resolution of the Shareholders at an extraordinary general meeting (the "**EGM**") to approve the proposed change of company name; and (ii) approval by the Registrar of Companies of the Cayman Islands by issuing a certificate of incorporation on change of name.

The EGM was held on 6 March 2018 and a special resolution of the Shareholders was obtained. The Company received the certificate of incorporation on change of name from the Registrar of Companies of the Cayman Islands and the change of name was made effective from 7 March 2018. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong was also obtained on 19 March 2018. For details, please refer to the Company's announcement dated 21 March 2018.

Continuing Connected Transaction between 神州電視有限公司 (Shenzhou Television Company Ltd.) ("**Shenzhou**") and CNHK Media Limited (中港傳媒有限公司) ("**CNHK Media**")

On 2 February 2018, Shenzhou, acting as the PRC advertising agent of Phoenix Satellite Television Company Limited ("**Phoenix TV**") and CNHK Media, entered into an advertising contract relating to the purchase of advertising airtime by CNHK Media ("**2018 Contract**") respectively for the ultimate benefits of the Group and 中國移動通信集團有限公司 (China Mobile Communications Group Co., Ltd, "**CMCC**") and its associates (together "**CMCC Group**").

Pursuant to the 2018 Contract, CNHK Media agreed to purchase advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the period from 2 February 2018 to 31 December 2018 for a sum not exceeding RMB40,000,000 (equivalent to approximately HK$48,616,000) for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CNHK Media has/will entered into contract(s) with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime from Phoenix TV on behalf of CMCC Group covering the same period. As such, the entering of the 2018 Contract by CNHK Media is for the ultimate benefits of the CMCC Group. The Company considered CNHK Media a deemed connected person of the Company under the Listing Rules. As the transactions contemplated under the 2018 Contract constitute continuing connected transactions for the Company under the Listing Rules and all of the applicable percentage ratios in respect of the annual cap for the transactions are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 2 February 2018.

Continuing Connected Transaction between Phoenix Metropolis and 咪咕文化科技有限公司 (MIGU Cultural and Technology Co., Ltd.) ("**MIGU**")

On 19 March 2018, Phoenix Metropolis, a subsidiary of the Company, and MIGU entered into an advertising contract in relation to the purchase of advertising airtime by MIGU on the LED panels operated by or licensed to Phoenix Metropolis and/or its subsidiaries in the PRC for the period of one year from 19 March 2018 to 18 March 2019 for a sum not exceeding RMB14,520,000 (equivalent to approximately HK$17,975,760) for promoting the businesses of the MIGU Group ("**2018 MIGU Advertising Contract**"). MIGU is a connected person of the Company under the Listing Rules. Thus, the transactions contemplated under the 2018 MIGU Advertising Contract constitute continuing connected transactions for the Company under the Listing Rules. As all of the applicable percentage ratios for the maximum contract sum under 2018 MIGU Advertising Contract alone or when aggregated with other relevant transactions with CMCC Group within the past 12 months exceed 0.1% but are less than 5%, the 2018 MIGU Advertising Contract and the transactions are subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 19 March 2018.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Mr. LIU Changle, aged 66, is the chairman and chief executive officer ("**CEO**") and executive director of Phoenix Media Investment (Holdings) Limited (the "**Company**") since 2 February 2000, and is a director of certain subsidiaries of the Company. He founded Phoenix Satellite Television Company Limited ("**Phoenix TV**") in 1996. The Company and its subsidiaries (the "**Group**" or "**Phoenix**"), now operating six satellite TV channels, is a globally renowned trans-national multimedia group and a listed company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Phoenix has expanded into other areas of business, including internet media, outdoor media, weekly magazine, social media, APP, publication and education etc.

Mr. LIU gained widespread recognition both locally and overseas for his enthusiasm for and achievements in the media industry. Mr. LIU is the recipient of numerous titles and awards, among which include "Wiseman of the Media Industry", "Leader of Global Mandarin TV Program Providers", "the Most Innovative Chinese Business Leaders in the Asia Pacific Region", "Chinese Business Leader with the Utmost Social Responsibility in the Asia Pacific Region", "Outstanding Figure in Media Branding", "Top 10 Most Entrepreneurial Chinese Business Leaders", "Top 10 Most Innovative Media Entrepreneurs in Mainland China", "Person of the Chinese Charity" and "Ten Most Successful Men in China". Mr. LIU has also been awarded the "Robert Mundell Successful World CEO Award", the "Media Entrepreneur Award" in "Ernst & Young's China Entrepreneur Award" and the "Man of Year for Asia Brand Innovation Award". He is also the recipient of the "Top 10 Figures in 2009–2010 Media Convergence in China" award, the "Outstanding Media Management Award of the Chinese Society" in the Truth, Virtue and Beauty Media Award initiated by Buddhist Master Hsing Yun, the "Person of the Year" award of the Chinese Business Leaders Annual Meeting, the "2001–2010 Outstanding Contributor to the Chinese Media" by the China Media Annual Meeting, the "Business Person of the Year Award" by the DHL/SCMP Hong Kong Business Awards 2012 and the "Outstanding Contribution to Asian Television Award" by the Asian Television Awards 2015.

Since 2005, Mr. LIU has been the Chairman of the iEMMYs Festival, which is run by the International Academy of Television Arts & Sciences. In November 2008, Mr. LIU received the International Emmy® Directorate Award.

Mr. LIU is a visiting professor at a number of Mainland China universities and a PhD supervisor of the Communication University of China. He has been appointed to the board of directors of Nanjing University, Tongji University and Huaqiao University. He was also conferred an honorary doctoral degree in literature by City University of Hong Kong and was appointed the chairman of the College International Advisory Board by the College of Business of City University of Hong Kong. In June 2015, Mr. LIU was appointed as honorary academician of United International College founded by Beijing Normal University and Hong Kong Baptist University. In May 2017, Mr. LIU was conferred an honorary degree of Doctor of Philosophy by Nanhua University.

Mr. LIU was also appointed as Honorary Chairman of "World Chinese-language Media Co-operation Alliance", Honorable Director of the Buddhist Association of China and Deputy President of BLIA World Headquarters board of directors.

Mr. LIU has been appointed a Justice of the Peace by the Government of the Hong Kong Special Administrative Region since 2004. In July 2010, Mr. LIU was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In July 2016, Mr. LIU was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

Mr. LIU is a Standing Committee Member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference. He was a member of the Tenth and the Eleventh National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the Subcommittee on Education, Science, Culture, Health and Sports, of the Eleventh National Committee of the Chinese People's Political Consultative Conference and a Standing Committee Member of the Twelfth National Committee of the Chinese People's Political Consultative Conference.

Mr. LIU was previously an independent non-executive director of China Southern Airlines Company Limited from December 2011 until December 2017.

Mr. CHUI Keung, aged 66, has been appointed as the executive director and deputy CEO of the Company since 5 June 2000. He is also a member of the nomination committee and risk management committee of the Company and a director of certain subsidiaries of the Company. Mr. CHUI graduated from the department of journalism of Fudan University in Shanghai and served in the China Central People's Radio Station for over 10 years. Since the establishment of Phoenix TV in 1996, he has been in charge of the overall daily operations, the public relations and promotion strategies of Phoenix TV, and the coordination of the relationships with PRC government entities. He also assists in establishing and implementing the corporate development strategies of the Group.

Throughout the term of office with Phoenix, Mr. CHUI has been instrumental in Phoenix's PRC domestic business development, programme production, advertising operation, marketing network and public relations. In 1996, he was in charge of the production of "Flying over the Yellow River", a major television programme of Phoenix TV, which achieved popular success and heightened the popularity of Phoenix TV in the PRC and overseas Chinese communities.

Prior to joining Phoenix, Mr. CHUI was a director and the general manager of Tianhua International Culture and Art Company Limited in Beijing focusing on developing various cultural, arts and publication businesses.

Mr. WANG Ji Yan, aged 69, has been appointed as executive director of the Company since 29 September 2006 and is a director of certain subsidiaries of the Company. Mr. WANG joined Phoenix TV in March 1996 and taught in Beijing Broadcasting Institute (now known as the Communication University of China) for more than 20 years.

Mr. WANG is one of the leading television programme producers in China and participated in the direction and production of a number of television programmes in early years. His television programme productions have won numerous domestic and overseas awards.

Mr. WANG is also a scholar in the television industry and has been the panelist of various international television festivals. He is also a renowned media educator and has a professor title. During the two decades of teaching in the Beijing Broadcasting Institute, he was the head of the television department for over ten years and was the deputy dean of the Beijing Broadcasting Institute for six years. Currently, he is also the PhD supervisor in Communication University of China (formerly known as Beijing Broadcasting Institute).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Non-executive Directors

Mr. SHA Yuejia, aged 59, has been appointed as non-executive director of the Company since 19 August 2010, and is an executive director and vice president of China Mobile Limited ("**China Mobile**"), the ordinary shares of which are listed on the Main Board of the Stock Exchange and its American depositary shares are listed on the New York Stock Exchange. Mr. SHA is principally in charge of marketing, data business and corporate customer management matters of China Mobile. Mr. SHA has been serving on the board of directors of China Mobile since March 2006 and is a vice president of China Mobile Communications Group Co., Ltd., a director of China Mobile Communication Co., Ltd and a non-executive director of Shanghai Pudong Development Bank Co., Ltd. Mr. SHA previously served as director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, president of Beijing Telecommunications Planning Design Institute, deputy director general of Beijing Telecommunications Administration, vice president of Beijing Mobile Communications Company, director and vice president, chairman and president of China Mobile Group Beijing Company Limited. Mr. SHA graduated from Beijing University of Posts and Telecommunications, received a Master's Degree from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications and a doctoral degree in business administration from The Hong Kong Polytechnic University. He is a professor-level senior engineer with over 34 years of experience in the telecommunications industry.

Mr. XIA Bing, aged 45, has been appointed as a non-executive director and member of remuneration committee of the Company since 20 August 2016. He is currently the general manager of marketing department of China Mobile Communications Group Co., Ltd. and a director and member of the finance committee of True Corporation Public Company Limited, the securities of which is listed on The Stock Exchange of Thailand. Mr. XIA previously served as deputy general manager and general manager of China Mobile Group Qinghai Co., Ltd, and as general manager of marketing department of China Mobile Group Jiangxi Co., Ltd.

Mr. XIA graduated from Beijing University of Posts and Telecommunications with double bachelor degree of Communication Management Engineering and Telecommunication Engineering, and received a MBA and a doctoral degree in Industrial Economy from Jiangxi University of Finance and Economics. Mr. XIA has more than 20 years of experience in the telecommunication industry.

Mr. GONG Jianzhong, aged 55, has been appointed as non-executive director of the Company since 12 January 2007, and is a member of the audit committee and risk management committee of the Company, and also a director of certain subsidiaries of the Company. Mr. GONG is currently a director and chief executive officer of Bank of China Group Investment Limited ("**BOCGI**") and a director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

From 2002 to 2005, Mr. GONG was an alternate director and deputy chief executive officer of BOCGI. From 2001 to 2007, Mr. GONG was a non-executive director of China Merchants China Direct Investments Limited. Mr. GONG has over 20 years of experience in banking, administration and management. He graduated from Dongbei University of Finance and Economics in the PRC in April 1991 with a master degree in economics.

Mr. SUN Yanjun, aged 48, has been appointed as non-executive director of the Company since 5 November 2013, and is an independent non-executive director and a member of the audit committee and strategic steering committee of China National Building Materials Company (中國建材股份有限公司), the securities of which are listed on the main board of the Stock Exchange. He is also a partner and managing director at TPG. Prior to joining TPG, Mr. SUN was a managing director in the Principal Investment Area (PIA) of Goldman Sachs Group, Inc. ("**Goldman Sachs**") and focused on private equity investment in the Greater China region from 2006 to early 2011. Before joining Goldman Sachs, Mr. SUN was a vice president at Morgan Stanley in Hong Kong from 2004 to 2006. Prior to that, he worked for General Electric and Citigroup Inc. in the United States. Mr. SUN currently serves as a non-executive director on the board of Xinyuan Real Estate Co., Ltd., a company listed on the New York Stock Exchange.

Mr. SUN obtained a Bachelor of Economics degree from Renmin University of China and a Master of Business Administration with high distinction from the University of Michigan.

Independent Non-executive Directors

Mr. LEUNG Hok Lim, aged 82, has been appointed as independent non-executive director of the Company since 21 January 2005, and is also a member of audit, nomination, remuneration and risk management committees of the Company. Mr. LEUNG is a fellow member of CPA Australia, a member of the Macau Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Taxation Institute of Hong Kong. Mr. LEUNG is the founder and senior partner of PKF, Accountants and Business Advisers, and a director of PKF Hong Kong Limited. Mr. LEUNG is the independent non-executive director of a number of listed companies namely S E A Holdings Limited, Fujian Holdings Limited and High Fashion International Limited. Mr. LEUNG was previously a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited until January 2017, and an independent non-executive director of Yangtzekiang Garment Limited and YGM Trading Limited until September 2017.

Mr. Thaddeus Thomas BECZAK, aged 67, has been appointed as an independent non-executive director of the Company since 11 March 2005. He is also the chairman of audit and nomination committees, and a member of remuneration and risk management committees of the Company. Mr. BECZAK is currently an independent non-executive director of Singapore Exchange Limited (also acted as member of its risk management committee and regulatory conflicts committee) and Pacific Online Limited (also acted as member of its audit committee, nomination committee and remuneration committee). Mr. BECZAK is also an independent non-executive director of MUFG Securities Asia (Singapore) Limited and MUFG Securities Asia Limited.

Mr. BECZAK was previously an independent non-executive director of China Minsheng Financial Holding Corporation Limited (also acted as chairman of its nomination committee and member of audit committee and remuneration committee) until 13 July 2017, and the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited until June 2014. Mr. BECZAK was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V. From September 1997 until December 2003, Mr. BECZAK was a director of Kerry Holdings Limited. During this period he also held various board and operating positions within the group including deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited, deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

From November 1997 until December 2002, Mr. BECZAK was chairman of the Listing Committee of the Stock Exchange and a member of board of directors of the Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC).

Prior to joining the Kerry group, Mr. BECZAK was a managing director of J.P. Morgan Inc., and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks.

Mr. BECZAK is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service at Georgetown.

Mr. FANG Fenglei, aged 66, has been appointed as an independent non-executive director of the Company since 13 March 2013, and is currently a non-executive and non-independent director and member of the Investment Committee of Global Logistic Properties Limited, the securities of which are listed on the Mainboard of Singapore Exchange Securities Trading Limited. Mr. Fang is also the chairman of HOPU Investment Management Co., Ltd. and chairman of Goldman Sachs Gaohua Securities Company Limited. Mr. FANG previously served as a deputy chief executive officer of China International Capital Corporation Limited and chief executive officer of both BOC International Holdings Limited and ICEA Finance Holdings Limited. Mr. FANG was also a non-executive director of China Mengniu Dairy Company Limited and an independent non-executive director of Central China Real Estate Limited. Mr. FANG holds a Bachelor of Arts degree from Sun Yat-sen University.

Mr. HE Di, aged 70, has been appointed as an independent non-executive director of the Company since 20 August 2016. He was appointed as the chairman of the board of directors of UBS Securities Company Limited in May 2015. After joining UBS in 1997, Mr. HE acted as the vice chairman of UBS Investment Banking and the Head of CCS China. He has participated and led most of the firm's milestone transactions such as restructuring and IPOs of SOEs, including Bank of China HK, Bank of China, China Merchants Bank, China Pacific Insurance, China Merchants Securities, New China Life, China Everbright Bank, COSCO, China Communications Construction Company Ltd, China Railway Engineering Corp etc.. He also led the IPOs of private companies including Mindray, SOHO, BYD Company etc., RT-Mart, Hon Hai/Foxconn Technology Group. In addition, he led the merger and acquisition of, and financing for PCCW, China Mobile, China Telecommunication, SINOPEC and etc.

Mr. HE has also been deeply involved UBS initiatives in China, including setting up the first fully licensed joint venture Securities firm – UBS Securities, as well as the first and largest QFII quota for UBS Equity and Asset Management.

Prior to joining UBS, Mr. HE was the co-founder and president of Standard International Investment and Management Co, a leading PRC consultancy and investment firm based in Beijing since 1993. He was a research fellow and assistant director of Institute of American Studies of CASS and studied Sino-U.S. relations for more than 10 years. He was also a visiting scholar at Stanford University, University of California Berkeley and Brookings Institution. Mr. HE graduated from the People's University of China with a Bachelor of Arts in History and Law in 1982 and later a Master of Arts in International Politics from John Hopkins University. He is co-founder and Director General of Boyuan Foundation, which was established in 2008.

Alternate Director

Mr. LAU Wai Kei, Ricky, aged 48, has been appointed as an alternate director to Mr. SUN Yanjun, a non-executive director of the Company since 5 November 2013, and is a partner of TPG where he has over 20 years of investment experience. Mr. LAU also serves as a director of Ingham Holdings I. Pty Limited and a director of WTT HK Limited. Mr. LAU was a director of China Grand Automotive Service Co. Ltd. until 16 July 2015 and an alternate director of Daphne International Holdings Limited until 24 April 2015 when his resignation took effect. Before joining TPG, Mr. LAU was responsible for the corporate and project finance division of Hopewell Holdings Limited ("**Hopewell**"), a regional infrastructure project developer. He joined Hopewell in 1993 and spearheaded the development and financing of several power and transportation projects in China, India and Thailand. Mr. LAU obtained an Executive MBA from Kellogg-HKUST and graduated from the University of British Columbia and he is a CFA charterholder.

Senior Management

Mr. LIU Shuang, aged 48, has been appointed as the chief operating officer of the Company on 18 February 2014 and is a director of certain subsidiaries of the Company. He is currently a director and the CEO of the Phoenix New Media Limited ("**PNM**"), a non-wholly owned subsidiary of the Company, whose shares are listed by way of American Depository Shares on the New York Stock Exchange in the United States.

Mr. LIU has served as a director and CEO of PNM since its inception in 2007. Mr. LIU has also served the Group from 2001 to the present in various management positions, including chief operating officer, vice president and director of business development in charge of new media investment, investment, finance, investor relationships, legal affairs, public affairs and development of the finance channel. Before joining the Group, Mr. LIU worked at Simpson Thacher & Bartlett LLP, Milbank, Tweed, Hadley & McCloy LLP and Morrison & Foerster LLP from 1996 to 2001. Mr. LIU is qualified in the New York State Bar, and received a J.D. degree from Duke University Law School, and a Bachelor's degree from University of International Business & Economic.

Mr. LIU is a nephew of Mr. LIU Changle, being the chairman and CEO of the Company.

Mr. YEUNG Ka Keung, aged 58, is the company secretary and a member of the risk management committee of the Company. He is the executive vice president and chief financial officer of the Group, a qualified accountant and a director of certain subsidiaries of the Company. Mr. YEUNG joined Phoenix TV in March 1996 and is in charge of all of Phoenix TV's internal and external financial management and arrangements as well as the supervision of legal, administration and personnel matters.

Mr. YEUNG graduated from the University of Birmingham and remained in the United Kingdom until 1992 after obtaining his qualification as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and Star Television Limited in the fields of finance and business development.

Mr. HE Daguang, aged 60, is a member of the risk management committee of the Company. Mr. HE has been appointed as the executive vice president of the Group since 10 October 2015 and is a director of certain subsidiaries of the Company. Mr. HE joined Phoenix TV in 2001, since then he served as the chief financial officer (mainland China) and vice president of the Group. He currently is responsible for the Group's departmental coordination and daily affairs, the Company's daily operation as well as finance, human resources and administration affairs. Mr. HE graduated from Shaanxi Institute of Finance and Economics in 1983. Since his graduation, Mr. HE worked for China International Water & Electric Corporation as the deputy chief accountant and the managing director subsequently. During such period, Mr. HE was mainly responsible for business and financial management in respect of investment and development projects in collaboration with various international financial institutions.

CORPORATE GOVERNANCE REPORT

Phoenix Media Investment (Holdings) Limited (the "**Company**") is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company (the "**Shareholders**") and devotes considerable effort to identify and formalise best practices.

Corporate Governance Practices

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

The Company has an in-house audit function to assist the board of directors of the Company (the "**Board**" or "**Directors**") in monitoring and advising on the effectiveness of the Company and its subsidiaries' (the "**Group**") governance, risk management and internal control processes. The risk management committee of the Company ("**Risk Management Committee**") had monitored the progress on corporate governance practices, risk management and internal control systems of the Company throughout the year under review. The following summarises the corporate governance practices of the Company and explanations of deviations from the Code.

Save as disclosed below, the Company has, throughout the year ended 31 December 2017, complied with the Code.

(1) Distinctive Roles of Chairman and Chief Executive Officer

Code Provision

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. LIU Changle has continually served as both the chairman to the Board and chief executive officer of the Company since its incorporation. He is responsible for managing the Board and the business of the Group.

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

Mr. LIU 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 Board committees, balance of power and authority can be ensured and therefore, there is no imminent need to change the arrangement.

(2) Appointments, Re-election and Removal

Code Provision

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election and all directors appointed to fill 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 terms, should be subject to retirement by rotation at least once every three years.

Deviation and its Reason

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 (the "**Articles of Association**"), at each annual general meeting ("**AGM**") one-third of the Directors for the time being (or, if their numbers 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.

(3) Effective Communications

Code Provision

Under code provision E.1.2, the chairman of the Board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Deviation and its Reason

The chairman of the Board, Mr. LIU Changle was absent from the AGM held on 6 June 2017 due to conflicting business schedule, and he had invited Mr. CHUI Keung, executive director and the chairman of the Risk Management Committee of the Company, to chair the AGM on his behalf. Mr. LIU had also invited Mr. Thaddeus Thomas BECZAK, the chairman of the audit and nomination committees of the Company ("**Audit Committee**" and "**Nomination Committee**") to attend the AGM.

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, it was confirmed that the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2017.

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

Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The management of the Company is responsible for the day-to-day operations of the Group. For significant matters that are specifically delegated by the Board, the management of the Company must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Composition

As at 31 December 2017 and as at the date of this report, the Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors.

At all times during the year ended 31 December 2017, the Company had complied with Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of at least three independent non-executive directors and having at least one independent non-executive director with appropriate professional qualifications or accounting or relating financial management expertise.

The brief biographical details of each of the Directors and senior management are set out on pages 36 to 41 of this report.

The Company considers that all of the independent non-executive Directors are independent and has received from each of the independent non-executive Directors their confirmation of independence pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

Board of Directors (Continued)

Board meetings and general meetings

The Board meets at least four times a year to review the financial and operating performance of the Group. The Company held four Board meetings ("**BMs**"), one AGM and one extraordinary general meeting ("**EGM**") in the financial year ended 31 December 2017.

Details of individual Director's attendance at the BMs, the AGM and the EGM are as follows:

	Attended or eligible to attend		
Name of Directors	**BMs**	**AGM**	**EGM**
Executive Directors			
Mr. LIU Changle (Chairman and CEO)	4/4	0/1	0/1
Mr. CHUI Keung (Deputy CEO)	4/4	1/1	1/1
Mr. WANG Ji Yan	4/4	0/1	0/1
Non-executive Directors			
Mr. SHA Yuejia	1/4	0/1	0/1
Mr. GONG Jianzhong	1/4	0/1	0/1
Mr. SUN Yanjun	4/4	1/1	0/1
Mr. XIA Bing	1/4	0/1	0/1
Independent non-executive Directors			
Mr. LEUNG Hok Lim	4/4	1/1	1/1
Mr. Thaddeus Thomas BECZAK	4/4	1/1	1/1
Mr. FANG Fenglei	4/4	0/1	0/1
Mr. HE Di	3/4	0/1	1/1
Alternate Director			
Mr. LAU Wai Kei, Ricky (alternate to Mr. SUN Yanjun)	–	–	–

Remarks (also applicable to the tables set out below):
– = not applicable

During the regular Board meetings held on 17 March 2017, 17 May 2017, 15 August 2017 and 17 November 2017, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discussed the half-yearly and annual results, as well as discussed and decided on other significant matters.

Liability insurance for Directors and senior management officers of the Company is maintained by the Company with appropriate coverage for liabilities which may arise in the course of performing their duties.

Board of Directors (Continued)

Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, the Company collaborated with Morrison & Foerster to provide an in-house training for Directors on the topic of "Directors' Duties and the Listing Rules Relevant to Their Duties".

In addition, reference materials on changes to the relevant laws and Listing Rules were from time to time provided to Directors. At the end of each financial year, each Director is required to provide the Company his training records for the year under review. As at the date of this report, all Directors have submitted their training records to the Company.

During the year under review, the Directors had participated in the following continuous professional development to develop and refresh their knowledge and skills:

Name of Directors	**Attended trainings conducted by professional parties**	**Reading materials relevant to the Company's business or director's duties and responsibilities**	**Attended in-house seminar conducted by the Company**
Executive Directors			
Mr. LIU Changle (Chairman and CEO)	–	√	√
Mr. CHUI Keung (Deputy CEO)	–	√	√
Mr. WANG Ji Yan	–	√	√
Non-executive Directors			
Mr. SHA Yuejia	–	√	–
Mr. GONG Jianzhong	–	√	√
Mr. SUN Yanjun	–	√	√
Mr. XIA Bing	–	√	–
Independent non-executive Directors			
Mr. LEUNG Hok Lim	√	√	√
Mr. Thaddeus Thomas BECZAK	√	√	–
Mr. FANG Fenglei	–	√	√
Mr. HE Di	–	√	√
Alternate Director			
Mr. LAU Wai Kei, Ricky	–	√	–

Remarks
√ = attend

Corporate Governance Functions

The Board is responsible for the following corporate governance functions:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report;

(f) to review the effectiveness of the risk management and internal control systems; and

(g) to prepare the Company's accounts and consolidated financial statements.

The Board has reviewed the policy and practices in accordance with the Code and its own Company CG Code.

It should be noted that the Company's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Board Diversity Policy

The Board has adopted a "Board Diversity Policy" on 1 September 2013 which aims to set out the approach to achieve board diversity on the Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background or professional experience. The Company will also take into account of factors based on its own business model and specific needs from time to time.

In addition, Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background or professional experience. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to the Board.

The Nomination Committee was delegated with the responsibility to review at least annually on the Board's composition under diversified perspectives and monitor the implementation of this policy. Please also refer to the section titled "Nomination Committee" in this Corporate Governance Report.

Board Committees

Audit Committee

The Company has established the Audit Committee with written terms of reference based upon the guideline recommended by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The primary duties of the Audit Committee are to review the Company's annual report and accounts and half-year report and to provide advices and comments thereon to the Board. The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and to discuss auditing, risk management and internal control and financial reporting matters. The terms of reference of the Audit Committee was published on both the websites of the Company and the Stock Exchange.

As at the date of this report, the Audit Committee comprised of one non-executive Director, namely Mr. GONG Jianzhong and two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

During the year under review, the Audit Committee had held two meetings on 14 March 2017 and 15 August 2017, respectively. Details of the attendance record of the Audit Committee meetings are as follows:

Name of Directors	**Attended/Eligible to attend**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. GONG Jianzhong	0/2

The Audit Committee reviewed the Group's interim and annual results in year 2017 with management and the Company's external auditor and recommended their adoption to the Board. They had also discussed key risk and internal control and risk management matters, reviewed the audit plans, internal control performance as well as effectiveness of the internal control system.

Board Committees (Continued)

Remuneration Committee

The Company established the remuneration committee (the "**Remuneration Committee**") with written terms of reference in alignment with the code provisions set out in the Code.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and members of senior management of the Company with reference to salaries paid by comparable companies, the Board's corporate goals and objectives, time commitment and responsibilities of each Director.

As at the date of this report, the Remuneration Committee comprised of one non-executive Director, namely Mr. XIA Bing and two independent non-executive Directors, namely Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

During the year under review, the Remuneration Committee held one meeting on 17 March 2017. Details of the attendance record of the Remuneration Committee meeting are as follows:

Name of Directors	**Attended/Eligible to attend**
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK	1/1
Mr. LEUNG Hok Lim	1/1
Non-executive Director	
Mr. XIA Bing	0/1

During the year under review, the Remuneration Committee had recommended the directors' fees of the independent non-executive Directors, to the Board for approval, reviewed and recommended to the Board bonus payments for year 2017 and the increment in salary for year 2018 and had considered and approved the grant of new options under the 2017 share option scheme.

The terms of reference of the Remuneration Committee include the adoption of a model where Remuneration Committee will play an advisory role whilst the Board retains full authority on all issues proposed. The terms of reference of the Remuneration Committee was published on the websites of both the Company and the Stock Exchange.

During the year ended 31 December 2017, the remuneration of the members of the senior management of the Company by band is set out in note 8 to the consolidated financial statements.

Further particulars regarding the Directors' emoluments as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 44 to the consolidated financial statements.

Board Committees (Continued)

Nomination Committee

The Company established the Nomination Committee with its written terms of reference in alignment with the code provisions as set in the Code.

The primary functions of the Nomination Committee are to review the structure, size and diversity of the Board annually, to access the independence of independent non-executive Directors, to review the proposed appointment of new director(s) and to make recommendations to the Board when necessary. The terms of reference of the Nomination Committee was published on the websites of both the Company and the Stock Exchange.

As at the date of this report, the Nomination Committee comprised of one executive Director namely Mr. CHUI Keung and two independent non-executive Directors namely, Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

During the year under review, the Nomination Committee held one meeting on 17 March 2017. Details of the attendance record of the Nomination Committee meeting are as follows:

Name of Directors	Attended/Eligible to attend
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	1/1
Mr. LEUNG Hok Lim	1/1
Executive Director	
Mr. CHUI Keung	1/1

The Nomination Committee had reviewed the structure, size, composition and diversity of the Board, in accordance with the Board Diversity Policy, which considered a number of factors including age, cultural, education background and professional expertise, and found that for the year under review, the Board's composition was adequately diversified.

The Nomination Committee had also reviewed the independence of independent non-executive Directors and considered and determined the reasons for the independence if serving more than 9 years, and had recommended to the Board the retiring Directors standing for re-election at the AGM held on 6 June 2017.

Board Committees (Continued)

Risk Management Committee

The Company established the Risk Management Committee with its written terms of reference in alignment with the code provisions as set in the Code, which requires the Board to review the effectiveness of the risk management and internal control systems after 1 January 2017.

The primary functions of the Risk Management Committee are:

(a) to review the Company's risk management policies and guidelines and monitor the implementation and development of the risk management system of the Company;

(b) to conduct assessment of the strategic, financial, operational, compliance and other risks of the Company;

(c) to make recommendation to the Board for the determination of acceptable levels of risk for the Company regarding major decisions;

(d) to consider and adjust the Company's risk management strategies in accordance with the acceptable level of risk considered and approved by the Board;

(e) to review at least once per annum the effectiveness of the risk management internal control systems of the Company, and to consider, in particular, the following matters in the annual review under the risk management system:

  (i) the changes, since the last annual review, in the nature and the extent of significant risks and the Company's ability to respond to changes in its business and external environment;

  (ii) the scope and quality of the management's ongoing monitoring of the risks and the internal control system, and where applicable, the work of its internal audit function and other assurance providers;

  (iii) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables the Risk Management Committee to assess control of the Company and the effectiveness of risk management;

  (iv) significant control failures or weakness that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition; and

  (v) the effectiveness of the Company's procedures on financial reporting and the compliance of the Listing Rules.

(f) to review the effectiveness of the Company's risk management and internal control systems should cover all material controls, including financial, operational and compliance controls.

Board Committees (Continued)

Risk Management Committee (Continued)

As at the date of this report, the Risk Management Committee comprised of one executive Director, namely Mr. CHUI Keung (Chairman), one non-executive Director, namely Mr. GONG Jianzhong, two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK and Mr. LEUNG Hok Lim, two executive vice presidents, namely Mr. YEUNG Ka Keung and Mr. HE Daguang.

During the year under review, the Risk Management Committee held one meeting on 14 March 2017. Details of the attendance record of the Risk Management Committee meetings are as follows:

Name of Directors/Senior Management	**Attended/Eligible to attend**
Executive Director	
Mr. CHUI Keung (Chairman)	0/1
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK	1/1
Mr. LEUNG Hok Lim	1/1
Non-executive Director	
Mr. GONG Jianzhong	0/1
Senior Management	
Mr. YEUNG Ka Keung	1/1
Mr. HE Daguang	1/1
Mr. SHI Ningning (resigned on 16 January 2018)	1/1

During the year under review, the Risk Management Committee had discussed the foreign exchange risk regarding to Renminbi and Pound Sterling on the performance of the Group, impact of tightened funds repatriation out of China on the Group, the cyber security and hacking risk and risk management assurance matters.

Ad Hoc Committee

The Company adopted the terms of reference of the ad hoc committee to deal with ad hoc matters, which sets out detailed directions as to the powers delegated to the ad hoc committee. Any two Directors shall form a quorum for the transaction of business.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group.

The Directors' responsibilities in the preparation of the financial statements and the independent auditor's responsibilities are set out in the Independent Auditor's Report on pages 105 to 112 of this report.

Risk Management and Internal Control

The Board is committed to maintain high standards of corporate governance and implement sound risk management and internal control systems to achieve sustainable long-term growth.

Managing risk is an integral part of the Group's business strategies. The Group's risk management philosophy and approach aims to enhance shareholder value and achieve balance between risks and rewards, maximizing business opportunities while minimizing adverse outcomes at the same time.

The Board acknowledges that its overall responsibility includes to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems and to review the effectiveness of the systems at least once annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or losses. The Board evaluates and determines the Group's risk appetite in different aspects including financial, media credibility, sustainability, operational, reputational, legal, ethical, social and environmental responsibility. The Board has approved and issued a "Group Risk Management Policy" which sets forth the risk management principles, approach and procedures of the Group and is formally communicated to all executives within the Group.

The management is fully aware of its responsibilities for the design and implementation of robust risk management and internal control systems across the Group, and the responsibility to continuously monitor such systems. The management grasps risks the Group is facing and endeavors to ensure the risk mitigation strategies could bring the residual risks in line with the Group's risk appetite.

The management is committed to create and maintain a risk management culture in the Group and continuously manages risks in daily business and operation. The management stays alert to emerging risks and uncertainties arising from economic, political, market or social changes, collects and analyzes market intelligence and data which may adversely impact the Group's operation.

The executive management meetings, chaired by the Chief Executive Officer of the Company and composed of senior management and executives from operational and supporting functions, are regularly held to discuss the major issues in the areas of strategy, business and operations, finance, regulation and compliance, and other administrative matters in which any significant emerging risks or risk changes are identified, evaluated and timely addressed. Another important meeting is the programme executives meetings, chaired by the Chief Operating Officer of the Company and composed of executives mainly from programme production and sales functions, are bi-weekly held to discuss and manage issues and risks from programme production.

On top of these two regular management meetings, at the corporate level, as an important line of defense, the management together with headquarters Finance, Legal and Business Development functions together work as a risk management team to identify and manage major risks in their day-to-day collaboration and act as gatekeepers against strategic, financial, operational, regulatory and compliance risks in the Group's business development process and daily operation. Risk information is shared transparently between management and headquarters functions.

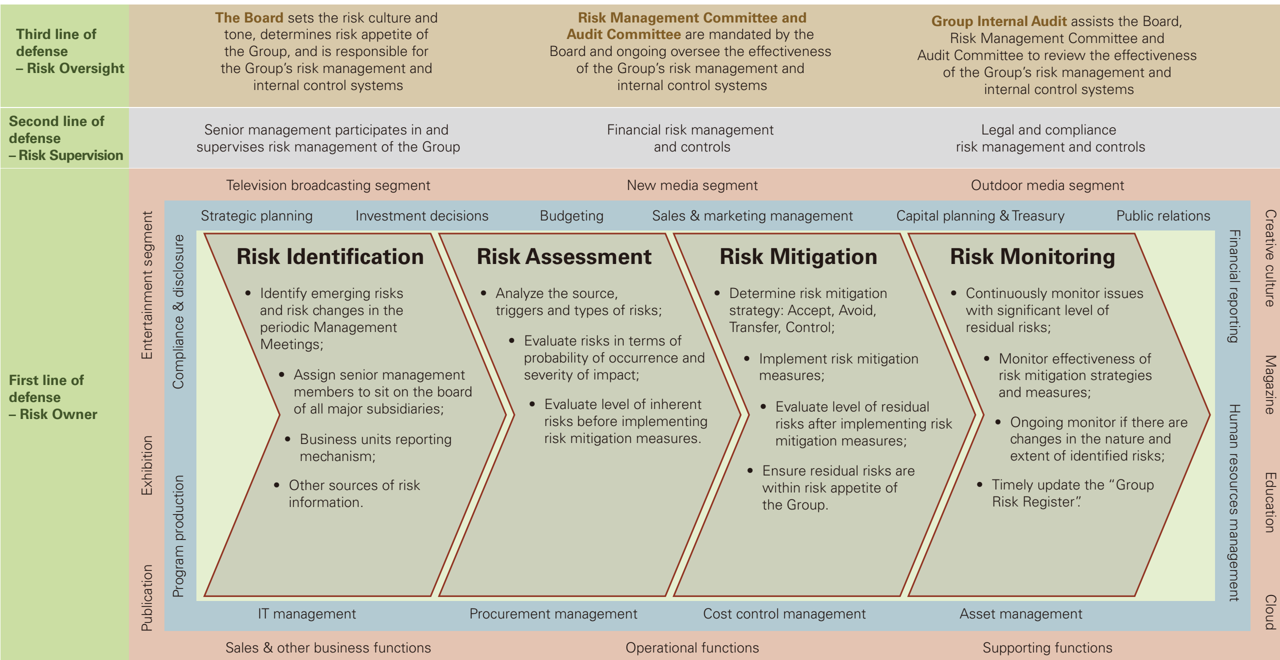
To continuously monitor risks and performance of the Group's business units, the Company assigns members of its senior management to sit on the Board of all major subsidiaries. Also, the Group has established and implemented standard periodic operational and financial reporting mechanisms which strictly request all business units of the Group, in the form of reporting package, updating the headquarters in the areas of their business and financial performance, major investments and transactions, major projects and events, material risk and control matters, etc..

Risk Management and Internal Control (Continued)

As to the procedures and internal controls for the handling and dissemination of inside information, in order to mitigate the risk of leakage of inside information which will result in insider dealing and violation of the relevant statutory and regulatory requirement, the Group has implemented "Policy on Disclosure of Inside Information". The Policy provides guidelines to Directors, executives and all relevant employees of the Group to ensure inside information of the Group is properly handled and disseminated to the public in an equal and timely manner. The "Policy on Disclosure of Inside Information" includes a "spokesperson" arrangement and clearly sets out the reporting lines for employees who become aware of any non-public price-sensitive information. Besides, the headquarters Legal Department ongoingly maintains a full list of relevant employees to whom memorandum is sent, to remind them about prohibition on dealing in securities of the Company during the black-out period. The Group has also adopted "Shareholders' Communication Policy" which is approved by the Board and aims to ensure the shareholders, both individual and institutional, are provided with ready, equal and timely access to balanced and understandable information about the Company, and allow shareholders to engage actively with the Company. Both policies are under regular review by the Board to ensure their effectiveness.

The main feature of the Group's risk management and internal control systems is its ability to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and to timely manage risks by appropriate risk responses and mitigation strategies. The source, trigger, event and consequences of risks are analyzed and documented in the "Group Risk Register". The Group has developed its own risk management framework, which is designed in reference to the internationally recognized "Enterprise Risk Management Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and "Internal Control and Risk Management Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Phoenix Group Enterprise Risk Management Framework



Risk Management and Internal Control (Continued)

The Board, through its Audit Committee and Risk Management Committee, oversees the Group's risk management and internal control systems on an ongoing basis. Both Committees report to the Board material weaknesses and significant deficiencies identified and their impact to the Company's financial performance and condition. The primary functions and compositions of the Audit Committee and the Risk Management Committee are set out in the "Board Committees" section on page 48 and pages 51 to 52 respectively of this Report.

To assist the Board in monitoring the risk management and internal control systems, the Group has an internal audit department ("**Internal Audit**") in place to provide independent and objective appraisal and assurance in the areas of corporate governance, risk management and internal control for the Group.

The Internal Audit Charter and annual internal audit plans are duly approved by the Board. The Internal Audit reports functionally to Audit Committee and Risk Management Committee to preserve its independence. The Group internal auditors possess sufficient expertise and professional qualifications in the areas of risk management and internal control assurance.

The Internal Audit evaluates the adequacy and effectiveness of the Group's risk management and internal control systems with a risk-based audit approach, covering major processes, activities and changes which are quantitatively or qualitatively significant to the Group. Internal Audit identifies and evaluates key risks which affect the achievement of business objectives, and then review if the management has implemented appropriate and effective risk mitigation strategies and control measures in response to the risks. Internal Audit provides practical and value added recommendations on the identified internal control weaknesses and deficiencies, among which the significant issues and irregularities would be timely reported to the management and the relevant Board Committee for assessment and rectification.

To comply with the risk management and internal control code provisions under the Listing Rules, the Board, through the Audit Committee and the Risk Management Committee together with the assistance of the Internal Audit, has conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017, covering all major controls, including financial, operational and compliance controls and risk management functions. The Directors particularly considered the changes, since the last annual review, in the nature and extent of significant risks, and the Company's effectiveness to respond to such changes. Besides, the Directors reviewed the scope and quality of the management's ongoing monitoring of the risk management and internal control systems with reference to the assurance results provided by the Internal Audit. The Directors also reviewed the extent and frequency of communication of monitoring results to the Board committees to facilitate their review of the Group's risk management and internal control systems.

As a conclusion, in respect of the year ended 31 December 2017, the Board, with written confirmation from the management, considered the Group's risk management and internal control systems as adequate and effective. The management's confirmation was endorsed by the Company's Risk Management Committee. Details of the major risks the Group is facing are set out on pages 69 to 70 of this report, under the section "Business Review" in "Report of Directors".

The Board, through the Audit Committee and the Risk Management Committee, also assessed in the aforementioned review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and considers that they are adequate.

External Auditor

PricewaterhouseCoopers ("**PwC**") has been appointed as the external auditor of the Company by Shareholders at the AGM held on 6 June 2017. The remuneration in respect of services provided by PwC for the Group is analysed as follows:

	31 December 2017 HK$	31 December 2016 HK$
Audit Service	**13,930,000**	13,512,000
Non-audit Service	**177,000**	550,000
Tax Service	**874,000**	1,186,000
Total	**14,981,000**	15,248,000

Company Secretary

Mr. YEUNG Ka Keung has been appointed as the Company Secretary of the Company ("**Company Secretary**") since 25 April 2000. Mr. YEUNG confirmed to the Company that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the 2017 financial year.

Articles of Association

The Company did not amend its Articles of Association during the year under review.

Shareholders' Rights

Procedures for Shareholder(s) to propose the convening of extraordinary general meeting(s)

Pursuant to article 58 of the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholder(s) to propose a person for election as a Director

Pursuant to article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than he in person to be proposed) duly qualified to attend and vote at the AGM for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's head office for a minimum period of seven (7) days. The minimum period of seven (7) days for lodgment of the aforementioned notice will commence no earlier than the day after the despatch of the notice of the AGM appointed for such election and end no later than seven (7) days prior to the date of such AGM.

Shareholders' Rights (Continued)

Procedures for Shareholder(s) to propose a person for election as a Director (Continued)

Accordingly, if a Shareholder wishes to propose a person other than a retiring Director for election as a director of the Company at the AGM, the following documents must be lodged at the registered office or head office of the Company to the attention of the Company Secretary for a minimum seven (7) day period commencing no earlier than the day after the despatch of the notice of the AGM.

For further details of the procedures, please refer to the announcement published on the websites of both the Company and the Stock Exchange on 28 March 2012.

Communication with Shareholders and Investors Relations

The Board has a high regard for investor relationship in particular, fair disclosure, comprehensive and transparent reporting.

Shareholders are encouraged to attend the AGM and other general meetings of the Company and the Board always make efforts to fully address any questions raised by the Shareholders at each AGM and general meeting.

A "Shareholders' Communication Policy" was adopted by the Board on 28 March 2012. It aims to set out the objectives of ensuring the Shareholders, both individual and institutional, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company. The Board will review the "Shareholders' Communication Policy" from time to time in order to ensure its effectiveness.

On the other hand, the Company provides extensive information about the Company to the investors and potential investors through the Company's website www.ifeng.com. Hard copies of the annual report, interim report and quarterly report (if any) are sent to all Shareholders, which are also available on the Company's website and the professional investor relation website on www.irasia.com/listco/hk/phoenixtv.

Shareholders may at any time send their enquiries either by post, by facsimiles or by email, together with their contact details, such as postal address, email or fax, to the head office of the Company at the following address, facsimile number or via email:

No. 2-6 Dai King Street, Tai Po Industrial Estate Tai Po, New Territories, Hong Kong
Fax: (852) 2200 8340
Email: hkcss@phoenixtv.com

Conclusion

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect Shareholders' interest and the management tries to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

On behalf of the Board

LIU Changle
Chairman

16 March 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The board of directors (the "Board") and the management of Phoenix Media Investment (Holdings) Limited (the "Company") firmly believe that, as an enterprise develops, in addition to its economic value, it must even more consider its value to the society. And an enterprise must fulfill its social responsibilities and uphold its standard of morality and conscience so as to stay in a strong position. This is the mission and objective of the Company and its subsidiaries (the "Group") concerning its corporate social responsibilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board and the management of the Company firmly believe that, as an enterprise develops, in addition to its economic value, it must even more consider its value to the society. And an enterprise must fulfill its social responsibilities and uphold its standard of morality and conscience so as to stay in a strong position. This is the mission and objective of the Group concerning its corporate social responsibilities.

The Board has ultimate responsibility for the Group's environmental, social and governance strategies and reporting. In terms of policy, the Group has implemented a Board-approved "Corporate Social and Environmental Responsibilities Policy". The policy sets out the tone and direction, and provides guidelines for the social and environmental protection activities of the Group, so that the Group can fulfill its responsibilities in a more effective way, and also comply with the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

In terms of strategy, leveraging on its own advantages as a media company and its brand influence, the Group provides public welfare information and organises charity events through its omni-media platform to pool together resources from charitable organisations, media partners and caring enterprises, with the aim of promoting charity, facilitating public welfare and environmental protection projects and making contribution to the society.

To effectively manage the social and environmental risks arising from the course of business operation, the Group has set up a mechanism for each business unit to report regularly to the headquarters its public welfare and environmental issues, and has incorporated such risks into the corporate risk management and internal control systems. In terms of staffing, a function in corporate social responsibility is in place to assist the Board and the management in the identification, assessment, prioritisation, effective control and on-going monitoring of social and environmental risks, and the writing of the annual "Environmental, Social and Governance Report" for the corporate.

This report is the sixth corporate social responsibility report published by the Group since 2012. The Group adopts balanced, objective, consistent, prioritised and quantifiable reporting standards when making disclosures on the work of the Group in public welfare participations, employment relationship and environmental protection. This report documents the Group's performance of principal businesses (television broadcasting, new media and outdoor media business) in undertaking corporate social responsibilities in 2017, and represents an opportunity for the Group to communicate with its Shareholders concerning its philosophy, practices and achievements on corporate social responsibilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social

Community, Charity and Sustainable Development

In the areas of community involvement and charity, the Group makes active efforts to understand and cater to the needs of the community, and focuses on alleviating poverty, helping children in China and raising concerns about social phenomenon. It promotes charity out of corporate social responsibilities by capitalising on its advantages as a media company and its brand influence, and reports on public welfare activities through its omni-media platform to reveal social phenomenon. The Group also makes substantial contributions to the society by organising and participating in various charity events.

Since 2008, Phoenix Satellite Television Company Limited ("**Phoenix TV**") and the National Centre for the Performing Arts have jointly organised the yearly "Spring Festival Music Gala for Chinese around the World" to make Chinese people's beautiful vision of social harmony known to the world. Each year, all ticket revenue is donated to the "Phoenix Charity Caring Fund" managed by the China Charity Federation for organising charitable and welfare activities. In 2017, the donated ticket revenue of the concert amounted to around RMB280,000 (approximately HK$330,000).

鳳凰|公益
gongyi.ifeng.com

The charity channel (http://gongyi.ifeng.com) on the Group's new media platform "ifeng.com" is an online charity platform for the continuous broadcasting of public welfare information. It features news on major charity events, interpretation of public welfare policies in the form of salons and forums, and the organisation and promotion of charity events.

Phoenix TV, ifeng.com, "Orange Plan" of Teckon Foundation, China Charities Aid Foundation for Children, and China Social Assistance Foundation jointly hosted the "ifeng.com 'Forever Happiness' 2017 Charity Night • Warm Road of Growing Up • Ningbo China" in May 2017. The event raised RMB11.52 million in total, all of which would be applied to the left-behind children projects under China Charities Aid Foundation for Children and China Social Assistance Foundation to develop charities that care for left-behind children.

The "ifeng.com 'Forever Happiness' 2017 Australia Charity Night", which was jointly hosted by ifeng.com and Half the Sky Foundation Australia Limited, was held in September 2017. For the first time, the gala evening held both online and offline auctions which are simultaneous and cross-border. As a result, a total of approximately AUD800,000 was raised and the proceeds would be fully used for the charity projects held by Half the Sky Foundation Australia Limited for orphans and disabled children in China. Following the "2016 Los Angeles Charity Night", "Forever Happiness" has once again stepped out of China to continuously gather charity support for the underprivileged children in China from an international dimension.

"ifeng.com 'Forever Happiness' 2017 Charity Night • Shanghai China" was hosted by ifeng.com and co-organised by the China Social Assistance Foundation in October 2017. The event raised a total of RMB10.4 million through charity auctions, specified donations, and subscriptions. The proceeds would be fully applied to the arts education and medical assistance of left-behind children, family medical assistance of underprivileged children, the popularization of knowledge on child first aid and prevention of pediatrics liver disease projects under "China Social Assistance Foundation", and "Benefiting the Children" project under "ifeng.com Special Charity Fund". The "ifeng.com Special Charity Fund" was co-established

by ifeng.com and "China Charities Aid Foundation for Children" in June 2016, under which there are three charity projects, namely "Forever Happiness", "Benefiting the Children" and "Children Protection", for the main purposes of organising charity auctions, facilitating the development of medical, healthcare and relief services in underprivileged regions, and providing subsidies to orphans and disabled children.

The "ifeng.com 'Forever Happiness' 2017 • Annual Charity Night • Beijing China" was jointly hosted by ifeng.com and China Charities Aid Foundation for Children in December 2017. Hundreds of leaders from commercial sectors, pop stars and cultural celebrities attended and dedicated their love and care in different ways to increase the society's attention to and concern over charity. A total of RMB20.65 million was raised from the event, which will be fully used by "China Charities Aid Foundation for Children" to provide medical assistance and professional care to domestic children who suffer from critical illnesses, including the projects of "9958 Emergency Aids Center" and "Roundabout Dedicated Fund". As the designated mobile information platform of the event, "ifeng News App" and "Yidian Zixun" under Phoenix New Media Limited ("**PNM**"), reported on the event with authoritative information in a timely manner. "Feng-Live", an internet live broadcast information platform which is operated by PNM, also covered the entire event.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Leveraging on its media advantages, PNM launched an online charity donation portal for "ifeng.com Special Charity Fund" on the top of its official website "ifeng.com" and in the user centre of "ifeng News App". In 2017, the Fund raised money through the above online channels for its "Benefiting the Children" project, a large-scale medical assistance project for underprivileged children that focuses on the screening of major diseases. It aims to gradually enhance the overall medical service capacity for children in the poor areas and to improve the medical and sanitation conditions of underprivileged children, starting from disease screening. In 2017, the online fund raising collected a total of RMB450,000 of donations which will be fully used to enhance the medical and health service for Chinese underprivileged children.

In May 2017, "Benefiting the Children" project formed a volunteer service team with "Capital Institute of Pediatrics", in order to conduct critical illness screening for the underprivileged children in Tezi county in Puge town of Liangshan Yi Autonomous Prefecture which is in Sichuan province, set up children's medical records, popularize basic medical knowledge about critical illness screening and distribute daily essential medicines of which the schools have only limited quantities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the future, "Benefiting the Children" project will cover impoverished regions in China to the largest extent through continuous project execution to provide more children in plight with medical assistance.

For the "Children Protection" project, to better facilitate the development of the mechanism for protecting children from sexual assaults, the "2017 Forum of the Deputies to the National People's Congress and the Chinese Political Consultative Conference on the Protection of Girls" was jointly organised by the Phoenix Charity (http://gongyi.ifeng.com) and the "Protection Funds for Girls under China Foundation of Culture and Arts for Children" in March 2017 in Beijing, China, during which the prevention of child sexual assault was thoroughly discussed.

In May 2017, ifeng.com set up a "Phoenix Innovation Centre for Charity" and officially proposed the concept of "Innovative Charity", which integrates sustainable development of enterprise with brand marketing and solutions to social problems, and gathers strength of all parties to conduct charity activities using a business approach with creativity and sustainability, so as to effectively solve social issues and achieve win-win situations.

In June 2017, "The Tape Pledge", an innovative charity project conducted by Phoenix Innovation Centre for Charity, Charity of Phoenix and Suning, was awarded the "Bronze Lion for Media Category" in the "Cannes Lions International Festival of Creativity". Renowned as the Oscar in the advertising industry, the "Cannes Lions International Festival of Creativity" is the most influential annual event in the global advertising and creative industry. During this year's Festival, much attention has been placed on how to solve social issues through marketing communications. "The Tape Pledge" project illustrates the charity need for protecting wild animals on billions of Suning's e-commerce logistics packages. When a consumer receives a parcel with "The Tape Pledge", the specially-designed packing tape will "bleed" (red paint) upon being cut, which immediately places the consumer in a simulated scene of animals being killed. The consumer could also scan the QR code on the package to get more related information on smart phone, and pledge not to purchase animal products to avoid becoming an indirect animal killer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In October 2017, the opening ceremony of "2017 'Star Lights • Let Technology Illuminate the Future' Caring for Left-behind Children Charity Program", a program jointly launched by ifeng.com and Aviva-COFCO Life Insurance Co., Ltd, was held in Beijing, China. As China is a country with an enormous population, many children in the poor areas still do not have the chance to receive systematic education on science and technology. Therefore, the popularization of such knowledge among children in the remote regions is still an urgent need. This year, with its theme "Let Technology Illuminate the Future", the charity program "Star Lights" underlines the significance of science and technology to children. The program lights up children's dreams of life with the power of technology by creating a platform that enlightens children with scientific knowledge, so that they can experience technology in zero distance. In 2017, "Star Lights" has brought scientific enlightening activities to primary schools in Qu County in Dazhou City of Sichuan Province, Jiawang District in Xuzhou City of Jiangsu Province, Songzi City of Hubei Province and Linquan County in Fuyang City of Anhui Province. The activities include technology classes, experience of new technology equipments (such as virtual reality glasses, drones, etc.), and guidance on technology invention and innovation.

"Activist League" was launched by the charity channel of ifeng (gongyi.ifeng.com) in June 2016. It aims at establishing an interactive charity event platform for the cooperation among charitable organizations, creative industry, celebrities and caring companies, and through the platform providing extra media resources and corporate support to the charitable parties. In the meanwhile, the platform also gathers and selects innovative charity projects from all sectors of society which are suitable for communication through new media, covering a multiple of areas such as caring for autistic children, environmental protection and animal protection, etc.. Members of the League include China Social Welfare Foundation, China Foundation for Poverty Alleviation, China Foundation of Culture and Arts for Children, China Social Assistance Foundation, China Children and Teenagers' Fund, China Charities Aid Foundation for Children, China Women's Development Foundation, One Foundation and other major charitable foundations in China. Each year, ifeng.com releases special projects collaborated with the members of the League through both online communication and offline events. In December 2017, "2017 Activist League Charity Award Presentation Grand

Ceremony" was held in Beijing, China, during which six prizes were awarded including "Top Ten People of the Year for Charity", "Top Ten Charity Projects of the Year", "Top Ten Innovative Charity Ideas of the Year", "Top Ten Companies of the Year for Charity", "Award for the Most Popular on Internet" and "Special Contribution Award" to recognize the individuals and events that contributed to the advancement of society and development of social charitable undertakings over the past year.

Other charitable donation activities of the Group in 2017 included: Donation of five hundred "Kindle E-readers for the Academic" to "China Poverty-Alleviation Promotion of Volunteer Service", the value of which amounted to around RMB340,000 (approximately HK$400,000), to support the establishment of a record system for impoverished households; Donation of approximately RMB310,000 (around HK$430,000) to "China Women's Development Foundation" to be used in the "Click 'Like' for Charitable Super Moms" activity, and the top five "Charitable Super Moms" projects including "Rainbow Village Scholarship Program", "Girls Protection", "Thousand Waves of Warmth and Thousand Times of Love", "Home for Married Women in Foreign Lands" and "Convoy Initiative for the Disabled Children"; and donation of RMB70,000 (approximately HK$80,000) to "China Social Assistance Foundation" for payments of staff wages and benefits and the administrative office expenses of the Foundation.

Employment and Labour Practices

In terms of employment and labour practices, the Group adopts a "people-oriented" strategy where it attracts and retains talents by offering reasonable employment terms, safe and healthy work environment, a wide range of employee benefits and trainings for staff development while maintaining strict compliance with the labour practices.

Employment

As at 31 December 2017, the Group employed 2,881 full-time staff members. The Group has strictly abided by the employment and labour laws and regulations in the countries of operation. It also emphasizes equal opportunities and workplace diversity. The Group opposes discrimination and undertakes that the employment, remuneration and promotion of its employees are determined irrespective of their political stance, gender, age, sexual orientation, marital status, religion, race, nationality or other social factors.

The remuneration packages of the employees are determined with reference to the business results of the Group and the performance of individual employees and are in line with market rates. The Group also provides various benefits to employees, such as medical and other types of employee insurance coverage, a defined contribution pension scheme and employee share option schemes to attract and retain competent staffs. Details of the employee remuneration, recruitment, termination of employment, working hours and holidays are set out in the staff manual distributed to employees.

Health and Safety

The Group has placed great emphasis on workplace safety so as to prevent occupational hazards. Phoenix TV has established a set of technical guidelines and codes on the safe operation of machineries and electronic equipment for program production. Fire suppression systems which are in compliance with the local requirements are also installed in each of the office buildings of the Group. In addition to providing a safe workplace and raising safety awareness, Phoenix TV also maintains labour insurance and business travel insurance for its employees, and promotes work-life balance. The Group's headquarters in Hong Kong is equipped with comprehensive sports and recreational facilities such as basketball court, tennis court, gymnasium, table tennis room and snooker room to encourage staffs to exercise and engage a healthy life style.

Development and Training

The Group offers occupational training to its employees to enhance their knowledge and skills for performing job duties. Phoenix has in place a "Staff Training and Sponsorship Programme" to subsidise full-time employees who attend courses, seminars and workshops that are beneficial to their work performance or future career development.

Labor Standards

The Group forbids employment of children or forced labour such as compulsory labour or bonded labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

The Group is principally engaged in television broadcasting, internet media and outdoor media business, hence corporate social responsibilities in relation to supply chain management and physical products are not relevant to the Group's core activities. Despite this fact, the Group emphasises that it should not broadcast media contents that are detrimental to the community on its media platforms, and should firmly uphold the code of conduct of the media industry to safeguard the independence, diversity and morality of media content, and also to protect intellectual property rights. The Group has also set forth clear principles and guidelines on how to fulfill its social responsibilities on media content.

The Group is dedicated to its social responsibilities of anti-corruption. To achieve its goal, it has established and implemented the "Phoenix Corporate Governance Code and Procedures" to help its employees to develop clear understanding on the Company's code and procedures in relation to contract execution, conflict of interests, solicitation, acceptance or offer of advantages and entertainment, dealing with confidential information and insider dealings. In addition, the Group has also set up a formal communication channel through which its employees may directly contact the independent internal audit department of the Group in the event of concerns about financial reporting, internal control, risk management and other matters, or in the case of employee misconduct that may harm the interest of the Group (such as offering and accepting bribes, conflict of interests, insider dealings, blackmail, fraud, money laundering, disclosure of confidential information and violation of professional ethics).

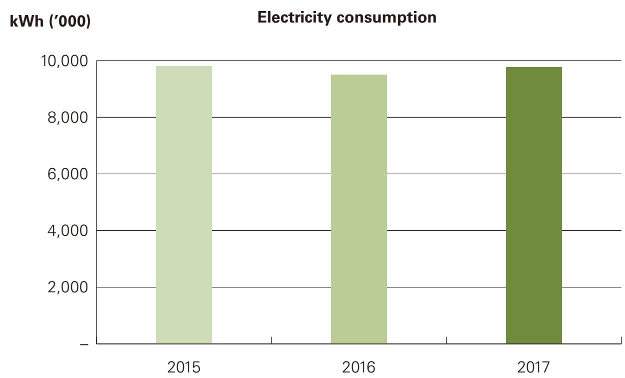
Environmental

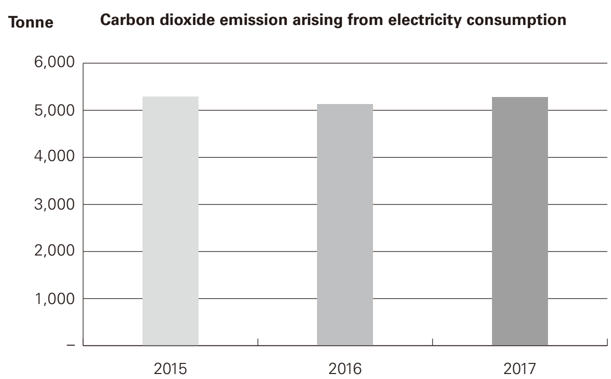
In the area of environmental protection, the Group maintains compliance with the environmental laws and regulations in the countries of operation. Although the Group's businesses are not energy intensive or natural resources based, the management closely monitors key environmental performance indicators, which include those of energy consumption and waste air emission, so as to continuously enhance its performance in environmental protection.

The management of the Company emphasizes cultivation of environmental awareness and has implemented a series of measures at the Phoenix Center, the Group's headquarters and programme production base in Hong Kong, to protect environment, increase efficiency in energy use and reduce indirect greenhouse gas emissions. Such measures include maintaining large areas of green space, reengineering of air conditioning and lighting system for higher energy efficiency, waste separation for recycling incentives, and the provision of charging devices for electric vehicles in the car park to support low-carbon emission. Regarding water consumption, the Group has no need to source water and continues to encourage employees to be aware of water saving. In addition, the Group also pays close attention to the consumption of electricity, gas and water in the course of daily operations to ensure it is at a reasonable and environmentally friendly level, thereby minimizing energy waste.

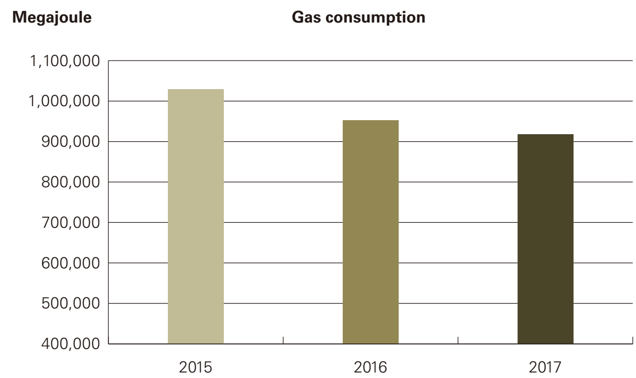
Details of energy consumption and carbon dioxide emission at the Phoenix Center, the Group's headquarters in Hong Kong, are disclosed as below:

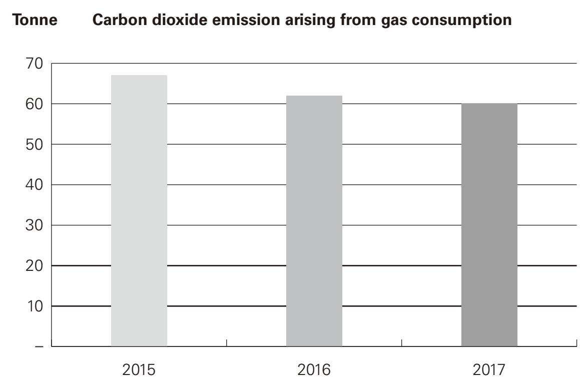
Electricity consumption and the resulting carbon dioxide emissions:



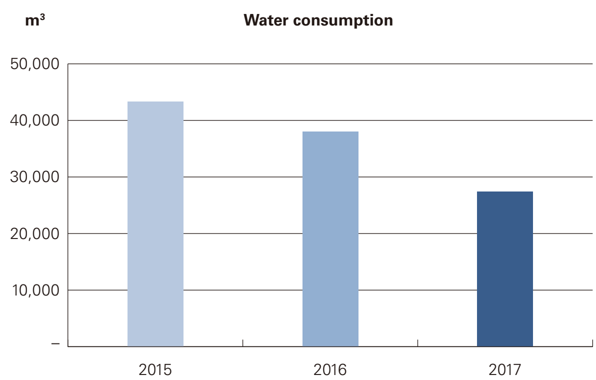


Gas consumption and the resulting carbon dioxide emission:





Water consumption:



In addition, Phoenix Metropolis Media Technology Company Limited ("**Phoenix Metropolis Media**"), a subsidiary of the Group engaged in the outdoor large LED screen advertising business, has implemented the following environmental protection measures:

In order to reduce light pollution from screens, screens installed by Phoenix Metropolis Media are all equipped with an outdoor light assessment system, so screen brightness can be automatically adjusted to accommodate the surrounding environment. Phoenix Metropolis Media also introduces new LED screens that adopt a colour depth of 16 bit, thereby producing softer colours and helping to alleviate discomfort from bright lights.

For the purpose of saving energy, Phoenix Metropolis Media uses screens with energy-saving LED light tubes which automatically adjust brightness when in use, cutting electricity consumption for normal use to approximately 40% of the designed peak consumption level, thereby saving energy. Apart from that, it uses axial fans instead of air conditioning for ventilation, which further reduces energy consumption while ensuring the normal operation of screens.

In terms of the recycling and reuse of dismantled screens, Phoenix Metropolis Media cleans and modifies components that are still useful and reuses them as spare parts for newly built or modified screens or for screen repairing.

Looking Ahead

The management confirms to the Board that the Group's risk management and internal control systems on environmental, social and governance issues are effective, and in 2017, there were no major environmental, social and governance risks across the Group.

Looking ahead, the Group will continue to fulfill its beliefs on corporate social responsibilities while pursuing higher business performance and value maximisation for the Shareholders. Capitalising on its media advantages, Phoenix will strive to exert its influence as a role model in society, better undertake its obligations on public welfare and environmental protection, and create excellent media credibility through its care for humanity and sense of social responsibilities. This report was prepared in strict compliance with the disclosure requirements under Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Main Board Listing Rules of the Stock Exchange. Any feedback regarding this report is welcome and could be sent to csr@phoenixtv.com.

REPORT OF DIRECTORS

The board of directors (the "**Board**" or "**Directors**") of Phoenix Media Investment (Holdings) Limited (the "**Company**") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017.

Business Review

A review of the Group's business is set out on pages 6 to 7 of this report titled "Business Overview and Prospects" (the "**Business Overview**"). The Board is satisfied that the Business Overview together with the financial and non-financial information contained in this section is a fair description of the Group's business and the external environment in which the Group operates, consistent with the scope of the consolidated financial statements and dealing even-handedly with both the favourable and adverse factors. To summarise the Business Overview, the Group grows steadily, including the omni media business structure consisting of television broadcasting, internet media and outdoor media, which has continued to merge with innovative development. The Group continues to adhere to and maintains the role of being a leading provider of Chinese-language media content as a solid foundation, and based on the Phoenix brand and high-end media content, leveraging leading-edge digital technologies, the Group has incubated and continuously invested in projects with value and sustainable business models. The relevant diversification of the Group has included animation, games, digital technology, cultural development, cloud technology services, education, exhibitions and other fields.

The Group will attach great importance to the in-depth integration of capital operation and industrial development, and build Phoenix Culture Media Industry Fund Group to support strategic changes. In the process of innovative development, Phoenix will, as always, safe guard the core competitiveness of its brand and content, and adhere to the spirit of journalistic professionalism in order to maximize the value of the Group.

The "Comments on Segmental Information" set out on pages 27 to 28 and "Liquidity and Financial Resources" set out on page 29 of this report provide analysis of the amounts of revenue, the results of business segments and gearing ratio of the Group. The operating margin of the Group, based on the profit from operations to revenue, was 3.2% as at 31 December 2017 (as at 31 December 2016: 4.8%). The current ratio of the Group, based on current assets to current liabilities, was 2.5 as at 31 December 2017 (as at 31 December 2016: 2.7). The Group's earnings before interest expenses, taxes, depreciation, and amortization (EBITDA) was HK$867,186,000 as at 31 December 2017 (as at 31 December 2016: HK$764,915,000).

The "Chinese Gateway" set out on pages 24 to 26 of this report also provided the audience satisfaction information of the television broadcasting business.

There are a number of principal risks and uncertainties facing the Group, which include among other things: (i) the PRC regulatory restrictions on the reception and rebroadcasting of foreign satellite television programmes; (ii) the PRC regulatory controls on media content; and (iii) potential PRC regulatory prohibition against the variable interest entity structure in Mainland China through which certain subsidiaries of the Group operate the internet, education, animated comics, games and cloud technology services businesses of the Group in China. Please refer to page 103 of this report for the description of the major risks associated with the variable interest entity contractual arrangements within the Group.

Business Review (Continued)

The Group's business performance and business risks on the other hand arising from the challenge of internet and media evolution are discussed in the section of Business Overview on pages 6 to 7 of this report. Besides, the Group's day-to-day activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, pricing risk, significant fluctuation in fair values, etc.), credit risk and liquidity risk. The Group's financial risk management and controls are set out in Note 3 to the consolidated financial statements on pages 145 to 158 of this report. The above is not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. The risk profile may change over time as new risks and uncertainties emerge and others cease to be of concern.

The Board closely monitors the above risks and uncertainties in view of the fact that any adverse change of these risks and uncertainties would have a material negative effect on the Group's business, financial condition and the results of operations. Discussion of the Group's systems of risk management and internal control is presented in the Corporate Governance Report on pages 53 to 55 of this report.

Particulars of the major suppliers and customers of the Group are set out on page 97 of this report. Key performance indicators in relation to the audience satisfaction are set out on pages 24 to 26 of this report.

Details of the Group's relationship with its staff are set out on page 30 of this report.

Detailed discussions on the Group's environmental policies, performance and KPIs are contained in the Environmental, Social and Governance Report on pages 58 to 68 of this report.

In addition to the compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and the Corporate Governance Code (the "**Code**"), the Company is committed to duly observing the Securities and Futures Ordinance (Cap. 571) and the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission. The Group has complied with the Broadcasting Ordinance (Cap. 562), the Broadcasting (Miscellaneous Provisions) Ordinance (Cap. 391) and the related subsidiary legislation. The Group has also observed the terms of the Non-Domestic Television Programme Service Licence granted to Phoenix TV and the relevant sections of the Codes of Practice from time to time issued by the Communication Authority. Since the enactment of the Competition Ordinance (Cap. 619), the Group was mindful not to contravene the first conduct rule of the Competition Ordinance while continuously assessing its market power under the second conduct rule of the Competition Ordinance.

Particulars of important events affecting the Group that have occurred since the end of the financial period are set out in the paragraph titled "Other Important Events and Subsequent Events" on pages 32 to 35 of this report and on Note 45 to the consolidated financial statements.

Principal Activity and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 19 to the consolidated financial statements.

An analysis of the Group's performance for the year by reportable segments is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 113.

The Board recommends the payment of a final dividend of 1 Hong Kong cent per ordinary share of the Company ("**Share(s)**"), totalling approximately HK$49,935,000 to be payable to Shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company on Thursday, 14 June 2018. Subject to the passing of the relevant resolution at the forthcoming annual general meeting ("**AGM**"), the final dividend will be payable on or around Friday, 22 June 2018.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018 (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming 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 Thursday, 31 May 2018.

The register of members of the Company will also be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018 (both dates inclusive), during which period no share transfer will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the forthcoming 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 Monday, 11 June 2018.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Movements in the reserves of the Company during the year are set out in Note 43 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$1,341,000 (2016: HK$3,254,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Investment Properties

Details of the movement in investment properties of the Group during the year are set out in Note 15 to the consolidated financial statements.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the year are set out in Note 31 and Note 32, respectively, to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association ("**Articles of Association**") and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2017, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$1,052,130,000 (2016: HK$1,007,763,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 236.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2017, the Company has bought back 3,478,000 Shares on the Stock Exchange for a total consideration of HK$4,511,820. The buy-backs were made for the benefit of the Company and its Shareholders as a whole by enhancing the earnings per share of the Company.

Details of the share buy-backs are disclosed as follows:

Trading Date	No. of Shares	Total Consideration	Price per Share Highest	Price per Share Lowest
		HK$	HK$	HK$
January 2017				
4	182,000	238,380	1.31	1.30
6	300,000	393,000	1.31	–
16	34,000	44,880	1.32	–
	516,000	676,260		
February 2017				
6	470,000	615,880	1.32	1.29
7	1,000,000	1,297,920	1.30	1.29
13	500,000	643,500	1.29	1.28
14	992,000	1,278,260	1.29	1.28
	2,962,000	3,835,560		
	3,478,000	4,511,820		

The above 3,478,000 Shares repurchased during the period were cancelled on 2 March 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities during the year.

Equity-linked Agreements

Details of the share options granted in prior years and current year of the Group are set out in Note 32 of the consolidated financial statements and "Share Option Schemes" section contained in this Report of Directors.

Share Option Schemes

A) Share Option Schemes of the Company

(1) Summary of Post-IPO Share Option Scheme

Purpose of the scheme

The purpose of the post-IPO share option scheme adopted by the Company on 7 June 2000 (the "**Post-IPO Share Option Scheme**") is to retain and provide incentives to the employees of the Group to achieve its business objectives.

The participants of the scheme

Employees of any member of the Group, including any executive directors of any member of the Group, in full-time employment with the Company (or its subsidiaries) may take up options to subscribe for Shares.

The total number of securities available for issue

Shareholders' approval had been obtained on 6 August 2002 to refresh the 10% limit. The Directors might grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 9.88% of the issued share capital as at the date of this report.

The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Post-IPO Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one (1) year from the date of grant of the option and expiring ten (10) years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in an option which is vested and exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	up to 100%

Minimum holding period

As stated above, no option can be exercised within the first 12-months following the date of grant of an option.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1.00 to the Company as consideration of the grant.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Post-IPO Share Option Scheme (Continued)

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the committee established for administration of the Post-IPO Share Option Scheme and will be no less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheets from the Stock Exchange on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (c) the nominal value of a Share.

The remaining life of the scheme

The Post-IPO Share Option Scheme has no remaining life as no further options can be granted but the provisions of the scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Post-IPO Share Option Scheme may continue to be exercisable in accordance with the terms of issue.

The details of share options granted by the Company under the Post-IPO Share Option Scheme to the employees of the Group to acquire Shares were as follows:

					Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per Share** HK$	**Balance as at 1 January 2017**	**Lapsed during the year**	**Exercised during the year**	**Balance as at 31 December 2017**
13 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	3,944,000	(3,944,000)	–	–

The Post-IPO Share Option Scheme expired on 25 March 2017 and thus all outstanding options lapsed automatically on the day after date of expiry.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of 2009 Share Option Scheme

On 19 June 2009, the Shareholders approved and adopted a share option scheme of the Company ("**2009 Share Option Scheme**"). The 2009 Share Option Scheme is administered by a committee of four Directors ("**2009 Share Option Scheme Committee**").

Purpose of the scheme

The purpose of the scheme is to retain and provide incentive to the employees of the Group to achieve its business objectives.

The participants of the scheme

Any full-time employees of the Group, including any director of the Group, may take up options to subscribe for the Shares.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme is 495,441,200 Shares, representing 9.92% of the issued share capital of the Company as at the date of this report.

The maximum entitlement of each participant under the scheme

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of the Shares are subject of such option, when added to the number of the Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of the Shares previously subscribed by the eligible person under any options granted to the eligible person under the 2009 Share Option Scheme exceeding 25% of the aggregate number of the Shares available for subscription under the scheme at that time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of 2009 Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the 2009 Share Option Scheme at any time during the period commencing one (1) year from the date of grant of the option and expiring ten (10) years after the date of grant of the option in accordance with the following vesting schedule:

Date of exercise of an option	**Percentage of Shares comprised in an option which is vested and exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	Zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	up to 100%

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of 2009 Share Option Scheme (Continued)

Minimum holding period

As stated above, no option can be exercised within the first 12-months following the date of grant of an option.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1.00 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the 2009 Share Option Scheme Committee and will be no less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant and (c) the nominal value of a Share.

The remaining life of the scheme

The 2009 Share Option Scheme will remain in force for a period of ten (10) years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of 2009 Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

The details of share options granted by the Company under the 2009 Share Option Scheme to the employees of the Group to acquire the Shares of the Company were as follows:

					Number of share options					
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Balance as at 1 January 2017	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance as at 31 December 2017
2 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	250,000	–	–	–	–	250,000
3 Executive Directors										
LIU Changle	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	4,900,000	–	–	(4,900,000)	–	–
CHUI Keung	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	–	–	(3,900,000)	–	–
WANG Ji Yan	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	–	–	(3,900,000)	–	–
431 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	80,154,000	–	(6,100,000)	(74,054,000)	–	–
6 employees	2011.06.28	2011.06.28 to 2015.06.27	2012.06.28 to 2021.06.27	3.06	2,790,000	–	–	(2,790,000)	–	–
Total:					95,894,000	–	(6,100,000)	(89,544,000)	–	250,000

During the year ended 31 December 2017, 6,100,000 options granted to 12 employees were lapsed when they ceased their employment with the Group. 89,544,000 options granted to 437 employees were surrendered and cancelled.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executives or substantial Shareholders of the Company, or their respective associates, or to the suppliers of goods or services under the 2009 Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the 2009 Share Option Scheme.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of 2017 Share Option Scheme

On 7 February 2017, the Shareholders approved and adopted the 2017 Share Option Scheme ("**2017 Share Option Scheme**") and the cancellation of the outstanding share options (the "**Existing Options**") granted to directors and employees of the Group to subscribe for a total of 95,894,000 Shares under the 2009 Share Option Scheme which have not been exercised or lapsed, subject to the Existing Options being surrendered and cancelled. The 2017 Share Option Scheme is administered by the Remuneration Committee.

Purpose of the scheme

The purpose of the scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The participants of the scheme

Any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, or any of its subsidiaries or invested entities in which any member of the Group holds any equity interest; or any non-executive Director (including independent non-executive Directors) of the Company, any of its subsidiaries or invested entities; or any other person (including any employee or director of any business counterparty) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme and any other share option scheme(s) of the Company is 500,099,950 Shares, representing 10.02% of the issued share capital of the Company as at the date of this report.

The maximum entitlement of each participant under the scheme

No eligible participant shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such eligible participant (including both exercised and outstanding options) in any 12-month period exceeding 1% of the total number of Shares in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of 2017 Share Option Scheme (Continued)

The maximum entitlement of each participant under the scheme (Continued)

Any further grant of options to an eligible participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant under the 2017 Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue shall be subject to the Shareholders' approval in general meeting with such eligible participant and his close associates (or his associates if the eligible participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders containing the information required under the Listing Rules. The number of Shares subject to the options to be granted and the terms of the options to be granted to such eligible participants shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

Time of exercise of option

An option is exercisable as set out in the offer of the option, which shall, at the discretion of the Directors, commence at any time on or after the offer date and expire no later than the tenth (10th) anniversary of such offer date.

Minimum holding period

The scheme does not contain any such minimum period.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1.00 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price in respect of any option under the 2017 Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a Share.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of 2017 Share Option Scheme (Continued)

The remaining life of the scheme

2017 Share Option Scheme will remain in force for a period of ten (10) years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

Type and number of grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per Share** HK$	**Number of share options granted (Subject to acceptance of the grantees)**
3 Executive Directors					
LIU Changle	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	4,900,000
CHUI Keung	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
WANG Ji Yan	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000
LIU Diandian#	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	120,000
441 employees	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	78,874,000
Total:					91,694,000*

LIU Diandian is a daughter of LIU Changle.

* On 21 March 2017, 91,694,000 share options were granted under the 2017 Share Option Scheme, subject to the acceptance of the grantees by agreeing to surrender and cancel their same number of Existing Options under the 2009 Share Option Scheme. There were a total of 89,544,000 share options under the 2009 Share Option Scheme cancelled accordingly.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(3) Summary of 2017 Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year, 40,000 share options under 2009 Share Option Scheme were lapsed and cancelled due to non-acceptance within the acceptance period, 2,150,000 share options were lapsed and cancelled due to non-response within the acceptance period, which was deemed to be rejection by the grantees. Under the 2017 Share Option Scheme, a total of 89,504,000 share options were granted to and accepted by the grantees, while 1,200,000 share options granted to 14 employees were lapsed and cancelled when they ceased their employment with the Group. As at 31 December 2017, under the 2017 Share Option Scheme, there were a balance of 88,304,000 share options.

Save as disclosed above, no share option had been granted, exercised, lapsed or cancelled during the year.

(B) Share Option Schemes of the Subsidiaries of the Company

(1) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme ("**PNM Share Option Scheme**") of PNM, a subsidiary of the Company.

Summary of PNM Share Option Scheme

Purpose of the scheme

The purposes of the PNM Share Option Scheme is to recognise the contribution or potential contribution of the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates by granting options to them as incentives or rewards.

The participants of the scheme

Subject to the terms of the PNM Share Option Scheme and the Listing Rules and for so long as PNM remains a subsidiary of the Company, the board of directors of PNM ("**PNM Board**") may, at its absolute discretion (subject to any terms and conditions as it may think fit) during the scheme period, make offers to any eligible persons to take up options. The eligibility of the eligible persons is determined by the PNM Board with reference to their past and expected commitment and contribution to PNM and/or its affiliates.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The total number of securities available for issue

The total number of shares of PNM ("**PNM Shares**") available for issue under options which may be granted under the PNM Share Option Scheme and any other share option schemes of PNM shall not in aggregate exceed 10% of 320,000,000 of PNM Shares in issue on 20 June 2008, being the effective date of PNM Share Option Scheme.

On 8 June 2012, the Shareholders approved to refresh and renew the scheme mandate limit of the PNM Share Option Scheme and any other share option schemes of PNM to enable grant of further options to subscribe for up to 31,410,107 Class A ordinary of PNM Shares, representing 10% of Class A ordinary PNM Shares in issue on 8 June 2012.

On 5 June 2014, the EGM of the Company passed the refreshment of scheme mandate limit under the PNM Share Option Scheme. Based on 284,014,925 Class A ordinary PNM Shares in issue, the scheme mandate limit has been "refreshed" to enable grant of further options to subscribe for up to 28,401,492 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue as at the date of the EGM.

On 20 October 2016, the Shareholders approved the refreshment of the scheme mandate limit under the PNM Share Option Scheme. Based on 256,335,266 Class A ordinary PNM Shares in issue, PNM may grant further options to subscribe for up to 25,633,526 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue on 20 October 2016, being the date of the extraordinary general meeting ("**EGM**") at which the Shareholders approved the above refreshment of mandate limit and the grant of replacement options as set out in the Company's circular dated 23 September 2016 (see also "Grant of replacement options" below).

The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders and shareholders of PNM ("**PNM Shareholders**") in the manner set out in the PNM Share Option Scheme, the total number of PNM Shares issued and to be issued upon the exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period up to and including the offer date shall not exceed 1% of the PNM Shares in issue as at the offer date.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

Time of exercise of option

Pursuant to the PNM Share Option Scheme, options may be exercised with its terms at any time during a period as notified by the PNM Board to each eligible person in the offer, provided that such period shall not be longer than ten (10) years from the date of offer. The PNM Board may also impose restrictions on the exercise of an option during the period an option may be exercised.

The amount payable on acceptance of the option

Pursuant to the PNM Share Options Scheme, HK$1.00 (or foreign currency equivalent) is payable to PNM by the eligible persons by 5:00 p.m. on the date specified in the offer letter as the latest date for acceptance.

The basis of determining the exercise price

The option price shall be determined by the PNM Board on a fair and reasonable basis, taking into consideration the prevailing market condition, performance of PNM and after having assessed the efforts, performance and/or future potential contribution of the eligible person to the success of the business and operations of PNM (and its affiliates from time to time), which shall be no less than the nominal value of the PNM Shares on the date of offer.

The remaining life of the scheme

The PNM Share Option Scheme will remain valid for a period of ten (10) years commencing on 20 June 2008 save that PNM, by an ordinary resolution of PNM Shareholders and an ordinary resolution of the Shareholders (for so long as PNM remains a subsidiary of the Company) in general meetings may at any time terminate the operation of the PNM Share Option Scheme.

During the year ended 31 December 2017, 6,707,000 and 548,000 options were granted to eligible persons consisting of staff of wholly-owned subsidiaries of PNM, under the PNM Share Option Scheme with an exercise price of US$0.4149 and US$0.5344 per share, respectively.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

During the year ended 31 December 2017, the details of options granted to the employees being exercised were as follows:

Number of employees	**Number of options exercised**	**Exercise price per share** US$
21	1,184,904	0.03215
13	1,698,988	0.445925
1	50,168	0.7867
18	297,992	0.4734
25	1,859,644	0.4823

The weighted average market price of the options exercised during the year ended 31 December 2017 was US$0.77 per share.

Grant of replacement options

At the EGM of the Company held on 20 October 2016, the Shareholders approved the proposed grant of options under the PNM Share Option Scheme to holders of existing options as replacement options beyond the refreshed limit (i.e. 10% of PNM Shares in issue as at the date of EGM on 20 October 2016). For details, please refer to the Company's circular dated 23 September 2016.

With the approvals of the board of directors and shareholders of PNM, an option exchange program was implemented from 21 October 2016 to 1 November 2016 whereby the directors, employees and consultants of PNM exchanged options to purchase 21,011,951 Class A ordinary of PNM Shares granted under the PNM Share Option Scheme with various exercise prices greater than US$0.4823 per share (or US$3.8584 per American Depositary Share) for new options granted under the PNM Share Option Scheme with a new exercise price of US$0.4823 per share and a new vesting schedule that generally adds 12 months to each original vesting date, and the new options would vest no sooner than 1 May 2017.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options

During the year ended 31 December 2017, 7,319,500 options granted to 32 employees lapsed and were cancelled. Details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

				Number of share options					
Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Balance as at 1 January 2017	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance as at 31 December 2017
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	2,224,877	–	–	–	(226,400)	1,998,477
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	–	–	–	(6,000)	–
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	–	–	–	–	3,375
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	–	–	–	–	16,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	–	–	–	(4,500)	–
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,000	–	–	–	–	4,000
	2008.07.04	2008.10.23-2018.05.25	0.03215	6,750	–	–	–	–	6,750
	2008.07.04	2008.12.17-2018.05.25	0.03215	6,000	–	–	–	(6,000)	–
	2008.07.04	2008.12.24-2018.05.25	0.03215	3,750	–	–	–	–	3,750
	2008.07.04	2009.01.15-2018.05.25	0.03215	439,504	–	–	–	(439,504)	–
	2008.07.04	2009.02.26-2018.05.25	0.03215	3,375	–	–	–	(3,375)	–
	2008.07.04	2009.03.10-2018.05.25	0.03215	5,500	–	–	–	–	5,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	–	–	–	–	2,475
	2008.07.04	2009.03.24-2018.05.25	0.03215	20,000	–	–	–	(20,000)	–
	2008.07.04	2009.03.31-2018.05.25	0.03215	3,000	–	–	–	–	3,000
	2008.07.04	2009.04.01-2018.05.25	0.03215	450	–	–	–	–	450
	2008.07.04	2009.04.07-2018.05.25	0.03215	6,750	–	–	–	(3,750)	3,000
	2008.07.04	2009.04.09-2018.05.25	0.03215	3,000	–	–	–	–	3,000

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

Summary of PNM Share Option Scheme (Continued)

The remaining life of the PNM Share Option Scheme after grant of replacement options (Continued)

				Number of share options					
Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Balance as at 1 January 2017	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance as at 31 December 2017
	2008.07.04	2009.05.19-2018.05.25	0.03215	10,688	–	–	–	(3,375)	7,313
	2008.07.04	2009.05.26-2018.05.25	0.03215	33,087	–	–	–	–	33,087
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	–	–	–	–	781,250
	2009.07.31	2010.02.16-2018.05.25	0.03215	100,000	–	–	–	–	100,000
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	–	–	–	–	5,250
	2009.07.31	2010.05.18-2018.05.25	0.03215	96,001	–	–	–	–	96,001
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	–	–	–	–	61,600
	2009.09.15	2010.09.15-2018.05.25	0.03215	693,800	–	–	–	(252,000)	441,800
	2010.01.08	2011.01.08-2018.05.25	0.03215	104,400	–	–	–	–	104,400
	2010.07.01	2008.03.05-2018.05.25	0.03215	111,000	–	–	–	–	111,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	–	–	–	–	26,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	220,000	–	–	–	(220,000)	–
	2010.07.01	2011.07.01-2018.05.25	0.03215	52,000	–	–	–	–	52,000
	2013.03.15	2014.03.15-2023.03.14	0.445925	5,855,088	–	–	–	(1,698,988)	4,156,100
	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	–	–	–	–	2,900,000
	2013.10.01	2014.10.01-2023.09.30	0.78670	56,250	–	–	–	(50,168)	6,082
	2015.07.16	2016.07.16-2025.07.15	0.91550	395,000	–	(395,000)	–	–	–
	2016.10.17	2017.10.17-2026.10.16	0.47340	9,581,964	–	(1,995,000)	–	(297,992)	7,288,972
	2016.10.21	2017.05.01-2020.07.06	0.48230	20,601,951	–	(4,829,500)	–	(1,859,644)	13,912,807
	2017.09.14	2018.09.14-2027.09.13	0.41490	–	6,707,000	(90,000)	–	–	6,617,000
	2017.11.24	2018.11.24-2027.11.23	0.53440	–	548,000	(10,000)	–	–	538,000
Total:				44,445,135	7,255,000	(7,319,500)	–	(5,091,696)	39,288,939

Save as disclosed above, no option was granted to the Directors, chief executives or substantial Shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option Scheme during the year.

Directors

The Directors during the year and up to the date of this report are:

Executive Directors:
LIU Changle (alternate director to CHUI Keung)
CHUI Keung (alternate director to LIU Changle)
WANG Ji Yan (alternate director to LIU Changle and CHUI Keung)

Non-executive Directors:
SHA Yuejia
GONG Jianzhong
SUN Yanjun
XIA Bing

Independent Non-executive Directors:
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei
HE Di

Alternate Director:
LAU Wai Kei, Ricky (alternate director to SUN Yanjun)

In accordance with Article 87(1) & (2) of the Articles of Association, Mr. CHUI Keung, Mr. GONG Jianzhong and Mr. SUN Yanjun shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Confirmation of Independence

The Company has received from each of Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di their respective annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules as at the date of this report and the Company considers them to be independent.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

Changes of Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

LIU CHANGLE
Resignation
China Southern Airlines Company Limited – independent non-executive director

LEUNG HOK LIM
Resignation
Yangtzekiang Garment Limited – independent non-executive director
YGM Trading Limited – independent non-executive director

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts

Mr. LIU Changle and Mr. CHUI Keung, the executive Directors, each entered into a service contract with the Company for a term of three years commencing from 1 July 2018 subject to termination by either party giving to the other not less than three months' written notice. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation.

The terms of office of each of the executive Directors (other than the chairman of the Board), non-executive Directors and independent non-executive Directors are subject to retirement by rotation in accordance with the Articles of Association and the Company's own code on Corporate Governance.

Directors' Interests in Contracts

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

Directors' Permitted Indemnity Provision

As permitted by the Articles of Association, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such indemnity do not extend to any matter in respect of any fraud or dishonesty by such Director. Such provision has been in force for the benefit of the Directors throughout the year and up to the date of this report.

The Company has taken out and maintained Directors' liability insurance throughout the year, which provides appropriate cover to the Directors.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such Directors or chief executives were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(1) Long position in the Shares and underlying Shares of the Company (excluding share options)

Ordinary shares of the Company

	Number of ordinary shares held				Approximate shareholding percentage as at
Name	**Personal/ other interest**	**Corporate interest**	**Total interest**	**Position**	**31 December 2017**
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.18%

Notes:

1. As at 31 December 2017, the number of the issued Shares was 4,993,469,500.

2. As at 31 December 2017, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.18% of the issued share capital of the Company.

Directors' and Chief Executives' Interests in Securities (Continued)

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

PNM

Name	Number of class A ordinary of PNM Shares			Position	Approximate shareholding percentage as at 31 December 2017
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.56%

Notes:

1. As at 31 December 2017, the number of the issued Class A ordinary PNM Shares was 264,335,266.

2. PNM is a non-wholly owned subsidiary of the Company.

3. As at 31 December 2017, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 0.56% of the issued class A ordinary of PNM Shares.

Directors' and Chief Executives' Interests in Securities (Continued)

(3) Share Options

Name	Date of grant	Exercise period	Exercise price per Share HK$	Underlying Shares pursuant to the share options as at 31 December 2017
3 Executive Directors				
LIU Changle	2017.03.21	2018.03.21 to 2027.03.20	1.41	4,900,000
CHUI Keung	2017.03.21	2018.03.21 to 2027.03.20	1.41	3,900,000
WANG Ji Yan	2017.03.21	2018.03.21 to 2027.03.20	1.41	3,900,000
LIU Diandian#	2017.03.21	2018.03.21 to 2027.03.20	1.41	120,000

LIU Diandian is a daughter of LIU Changle

Save as disclosed above, so far as the Directors are aware, as at 31 December 2017, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Under the terms of the Post-IPO Share Option Scheme, 2009 Share Option Scheme and 2017 Share Option Scheme, the relevant committee responsible to administer the share option schemes may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for Shares. The maximum number of Shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. However, the Post-IPO Share Option Scheme expired on 25 March 2017 and no further options can be granted under the scheme.

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

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2017, so far as is known to the Directors and the chief executive of the Company, the interest of the Shareholders (not being Directors and the chief executive of the Company) in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

(1) Long positions of substantial Shareholders in the Shares of the Company

Name of substantial Shareholders	Number of Shares	Approximate shareholding percentage as at 31 December 2017
Today's Asia Limited (Note 2)	1,854,000,000	37.13%
Extra Step Investments Limited (Note 3)	983,000,000	19.69%
TPG China Media, L.P. (Note 4)	607,000,000	12.16%

Notes:

1. As at 31 December 2017, the number of issued Shares was 4,993,469,500.

2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% respectively.

3. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited ("**CMHKG**") which in turn is a subsidiary of China Mobile Communications Group Co., Ltd. ("**CMCC**"). By virtue of the SFO, CMCC and CMHKG are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. SHA Yuejia and Mr. XIA Bing, both non-executive Directors, are respectively executive director and vice president of China Mobile Limited and general manager of the Marketing Department of CMCC.

4. TPG China Media, L.P. is controlled by TPG Asia Advisors VI DE, Inc., which in turn is ultimately controlled by Mr. David BONDERMAN and Mr. James G. COULTER. By virtue of the SFO, TPG Asia Advisors VI DE, Inc., Mr. David BONDERMAN and Mr. James G. COULTER are all deemed to be interested in the 607,000,000 Shares held by TPG China Media, L.P. Mr. SUN Yanjun and Mr. LAU Wai Kei Ricky, being the non-executive Director and alternate Director respectively, are both managing director and partner of TPG.

Substantial Shareholders' Interests and Short Positions in the Shares and underlying Shares of the Company (Continued)

2) Long position of other person in the Shares of the Company

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage as at 31 December 2017
China Wise International Limited (Note 2)	412,000,000	8.25%

Notes:

1. As at 31 December 2017, the number of issued Shares was 4,993,469,500.

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

Save as disclosed above, there was no person (other than the Directors or the chief executives of the Company) known to the Directors or the chief executives of the Company, who, as at 31 December 2017, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of programme purchases and sales for the year attributable to the Group's major suppliers and advertising end-customers are as follows:

	Year 2017	Year 2016
Programme purchases		
– the largest supplier	**25%**	17%
– five largest suppliers	**66%**	52%
Sales		
– the largest advertising end-customer	**3%**	3%
– five largest advertising end-customers	**9%**	10%

None of the Directors, the chief executives, or their close associates, or any Shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers mentioned above.

REPORT OF DIRECTORS

Continuing Connected Transactions

During the year ended 31 December 2017, the Group had conducted certain continuing transactions with connected persons of the Group as defined in Chapter 14A of the Listing Rules to be reported in this section.

The following transactions constituted non-exempt continuing connected transactions subject only to the reporting, announcement and annual review requirements as defined under Chapter 14A of the Listing Rules.

I. LED Panel Advertisement Agreements

鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited) ("**Phoenix Metropolis**"), entered into various agreements relating to the sale of advertising airtime on the LED Panels operated by or licensed to Phoenix Metropolis and/or its subsidiaries in the PRC with CMCC and its associates (collectively the "**CMCC Group**") for promoting the CMCC Group covering various periods.

The Other Contracting Party	**Agreement**	**Agreement & Announcement Date**	**Term**	**Actual Usage in 2017** (RMB)	**Annual/ Term Cap** (RMB)
中國移動通信集團貴州有限公司 (China Mobile Group Guizhou Co., Ltd.) ("**CMGG**")	CMGG Advertising Contract	25.01.2017	25.01.2017 to 31.03.2017	0	2,120,000
咪咕文化科技有限公司 (MIGU Cultural and Technology Co., Ltd.) ("**MIGU**")	MIGU Advertising Contract	21.03.2017	21.03.2017 to 20.03.2018	3,765,600	3,800,000
	2nd MIGU Advertising Contract	26.09.2017	26.09.2017 to 25.09.2018	6,223,600	8,540,000
中國移動通信有限公司 (China Mobile Communication Co., Ltd.) ("**CMC**")	2016 CMC Outdoor Advertising Contract	26.04.2016	26.04.2016 to 31.03.2017	4,072,003 (From 01.01.2017 to 31.03.2017) (From 26.04.2016 to 31.12.2016: 11,857,997)	15,930,000
	2017 CMC Outdoor Advertising Contract	18.05.2017	18.05.2017 to 31.03.2018	10,000,000	13,130,000
中國移動通信集團終端有限公司 China Mobile Group Device Co., Ltd. ("**CMGD**")	2016 CMGD Outdoor Advertising Contract	26.04.2016	26.04.2016 to 31.03.2017	1,021,429 (From 01.01.2017 to 31.03.2017) (From 26.04.2016 to 31.12.2016: 2,408,571)	7,510,000
	2017 CMGD Outdoor Advertising Contract	06.07.2017	06.07.2017 to 31.03.2018	3,110,000	5,970,000

(The Annual/Term Cap and the Actual Usage in 2017 displayed herein are all sales tax inclusive)

Continuing Connected Transactions (Continued)

II. *TV Channel Advertisement Agreement*

Phoenix TV, through 神州電視有限公司 (Shenzhou Television Company Limited) ("**Shenzhou**") acting as its agent, entered into a framework agreement with CNHK Media Limited (中港傳媒有限公司) ("**CNHK Media**", acting for the benefit of the CMCC Group) for the sale of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the promotion of the CMCC Group for the year commencing 1 January 2017 to 31 December 2017.

The Other Contracting Party	Agreement	Agreement & Announcement Date	Term	Actual Usage in 2017 (RMB)	Annual Cap (RMB)
CNHK Media	2017 TV Channel Advertisement Contract	08.12.2016	01.01.2017 to 31.12.2017	15,840,355	40,000,000

III. *Internet Advertisement Agreement*

北京天盈九州網絡技術有限公司 (Beijing Tianying Jiuzhou Network Technology Co. Ltd.) ("**Beijing Tianying**"), entered into a framework agreement with 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co, Ltd.) ("**LLT**"), relating to the placement of internet advertisements provided by LLT from time to time on (i) the websites operated by Beijing Tianying, including www.ifeng.com and wap.ifeng.com and (ii) the mobile apps operated by Beijing Tianying, including but not limited to ifeng news and v.ifeng.com, etc. for the three years from 1 January 2015 to 31 December 2017.

The Other Contracting Party	Agreement	Agreement & Announcement Date	Term	Actual Usage in 2017 (RMB)	2017 Annual Cap (RMB)
LLT	Internet Advertisement Agreement	04.12.2015 (as supplemented on 17.05.2016)	01.01.2015 to 31.12.2017	10,000,000	80,000,000

Continuing Connected Transactions (Continued)

The following transactions constituted non-exempt continuing connected transactions subject to reporting, independent shareholders' approval and annual review requirements as defined under Chapter 14A of the Listing Rules.

I. New Media Platform Services Transactions

The Company expected PNM and its subsidiaries ("**PNM Group**") would, in the ordinary and usual course of business, enter into continuing connected transactions ("**New Media CCT**") in relation to provision of website portal, value-added telecommunications, promotional and ancillary services by and to PNM Group to and by CMCC Group for the three years from 1 January 2016 to 31 December 2018. The Company applied for and the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rule 14A.34 and Rule 14A.51 of the Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all of New Media CCT. Independent shareholders' approval for the New Media CCT was also obtained at the extraordinary general meeting of the Company held on 4 December 2015.

Connected party	**Transactions**	**Agreement & Announcement Date**	**Term**	**Actual Usage in 2017** (RMB)	**2017 Annual Cap** (RMB)
CMCC Group	New Media CCT	06.11.2015	01.01.2016 to 31.12.2018	159,600,867	286,000,000

The Connected Relationships

1. CMHKG, a subsidiary of CMCC, is a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. Therefore, the CMCC Group, including CMGG, MIGU, CMC and CMGD are connected persons of the Company under the Listing Rules. As such, the transactions respectively contemplated under the CMGG Advertising Contract, MIGU Advertising Contract, 2nd MIGU Advertising Contract, 2016 CMC Outdoor Advertising Contract, 2017 CMC Outdoor Advertising Contract, 2016 CMGD Advertising Contract and the 2017 CMGD Outdoor Advertising Contract as well as the New Media CCT are continuing connected transactions under Chapter 14A of the Listing Rules.

2. CNHK Media entered into contracts with a subsidiary of CMCC in the PRC relating to and including the purchase from the Group of advertising airtime at Chinese Channel and the Phoenix InfoNews Channel for the benefit and on behalf of the CMCC Group covering the period under the 2017 TV Channel Advertisement Contract. CNHK Media is therefore considered a deemed connected person of the Company under Rule 14A.20(1) of the Listing Rules. As such, the transactions contemplated under the 2017 TV Channel Advertisement Contract are continuing connected transactions under Chapter 14A of the Listing Rules.

3. Beijing Tianying is a non wholly-owned subsidiary of the Company. As Mr. HE Xin, the controlling shareholder of LLT, is the son-in-law of Mr. LIU Changle, the Chairman of the Board and the Chief Executive Officer of the Company, LLT is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Internet Advertisement Agreement are continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing Connected Transactions (Continued)

The independent non-executive Directors had reviewed the aforesaid continuing connected transactions and confirmed that:

1. the transactions were entered into by the relevant member of the Group in the ordinary and usual course of its business;

2. the transactions were entered into either on normal commercial terms or better, on an arm's length basis or terms no less favorable to the Group than terms available to or from independent third parties; and

3. the transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board of Directors containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 98 to 101 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The Company confirmed during the year ended 31 December 2017, there was no continuing transaction which become continuing connected transaction.

Save as disclosed above, none of the related party transactions (as defined in HKAS 24 – Related Party Disclosures) entered into by the Group during the year ended 31 December 2017 disclosed in Note 41 to the consolidated financial statements falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements of PNM Group

Foreign investment in the internet and mobile services industries is currently prohibited or restricted in China. The internet business of the Group in China is operated by PNM through contractual arrangements with the legal shareholders of its variable interest entities, among others, Beijing Tianying. The Group does not have equity interests in Beijing Tianying or its subsidiaries. However, as a result of a series of structured contracts (the "**Structured Contracts**") entered into on 31 December 2009 by a subsidiary of PNM, Fenghuang On-line (Beijing) Information Technology Company Limited ("**Fenghuang On-line**"), the Group has become the primary beneficiary of Beijing Tianying and its subsidiaries and account for them as its indirect subsidiaries under Hong Kong Financial Reporting Standards ("**HKFRS**"). As at the date of this report, Beijing Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the permitted business items of Beijing Tianying includes: internet information services (excluding information on news, publishing, education, medical health, medicine, medical devices); internet advertising via www.ifeng.com; information services of category II value-added telecommunications services (excluding fixed line telephone information services and internet information services); production and publishing of animation, television entertainment, feature; distribution of published books and journals via internet (including mobile network), publishing of internet game and mobile game; performance agency; retail of books, newspaper, journals, electronic publications and audiovisual products. Whereas the general business items of Beijing Tianying includes: technology development, technology consulting; design, production, agent, publishing of advertisement; organizing cultural exchange activities; organizing exhibitions; enterprise planning; economy and trade consulting; lease of computer and communications equipment (excluding those items without the administrative licensing).

The Group has consolidated the financial results of Beijing Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2017, Beijing Tianying and its subsidiaries accounted for 21.5% of the total revenues and 11.7% of the total assets of the Group.

The Group has evaluated the relationship among PNM, Fenghuang On-line and Beijing Tianying in accordance with HKFRS. Pursuant to the Voting Right Entrustment agreement, PNM has obtained power, as granted to the legal shareholders by the applicable PRC law and under the articles of association of Beijing Tianying, to direct all significant activities of Beijing Tianying, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Beijing Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Beijing Tianying in the form of technical service fees, which could potentially be significant to Beijing Tianying's net income. In addition, PNM has the right to receive all the residual assets of Beijing Tianying through exercise of the Exclusive Option agreement. As a result, the Group, through PNM and Fenghuang On-line, is considered the primary beneficiary of Beijing Tianying and therefore includes Beijing Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Beijing Tianying, the Group has the power to direct the activities of Beijing Tianying, and can freely have assets transferred out of Beijing Tianying's without any restrictions.

Details of the Structured Contracts and the related information were set out in the Company's announcement dated 9 November 2009 (the "**Company's Announcement**").

There were no material changes to the Structured Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed.

Contractual Arrangements of PNM Group (Continued)

The reasons for using the Structured Contracts were disclosed in the sub-section headed "Reasons for and benefits of the Acquisitions" under the section headed "Reasons For And Benefits Of The Transaction" of the Company's Announcement.

The major risks associated with them include, among others:

1. If the PRC government finds that the agreements that establish the structure for operating its businesses in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, the Group would be subject to severe penalties or be forced to relinquish its interests in those operations.

2. The Group relies on contractual arrangements with Beijing Tianying in China, and their legal shareholders, for its business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

3. The legal shareholders of Beijing Tianying may have potential conflicts of interest with the Group.

   For details of the above-mentioned risks during the reporting period, please refer to "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Corporate Structure" of the 2016 Annual Report of PNM disclosed on its website (ir.ifeng.com).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC released on its website for public comment a proposed PRC law (the "**Draft FIE law**") that appears to include variable interest entities within the scope of entities that could be considered to be foreign invested enterprises that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. The Group is not aware of any progress of legislation of the Draft FIE law but will continuously closely monitor any progress.

Competing Business

During the year ended 31 December 2017 and up to the date of this report, none of the Directors had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group and which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Advances to an Entity

Details of the relevant advances to an entity from the Group are set out in Note 22 to the consolidated financial statements.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 42 to 57 of this report.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has, during the year and up to the date of this report, maintained a public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2017 and provided advice and comments thereon.

Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 16 March 2018

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Phoenix Media Investment (Holdings) Limited
(formerly known as "Phoenix Satellite Television Holdings Limited")
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Phoenix Media Investment (Holdings) Limited (formerly known as "Phoenix Satellite Television Holdings Limited") (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 235, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of the investments in Particle Inc. ("Particle")
- Accuracy and recoverability of the receivable from Shenzhou Television Company Limited ("Shenzhou")
- Recoverability of the accounts receivable of the Group

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of the investments in Particle *Refer to Notes 2(n), 2(p), 3(c), 4(a)(i), 26, 37 and 42 to the consolidated financial statements* Phoenix New Media Limited ("PNM"), a non-wholly owned subsidiary of the Group, owns a number of convertible redeemable preferred shares ("Preferred Shares") issued by Particle, which operates Yidianzixun, a personalised news and life-style information mobile application in The People's Republic of China ("PRC"). The Group's investments in the Preferred Shares were separated into debt component classified as available-for-sale financial assets ("AFS") and derivative financial instruments classified as conversion options for convertible redeemable preferred shares ("DFI"), and carried at fair values of HK$705.7 million and HK$721.0 million respectively at 31 December 2017 based on the valuation report prepared by an independent professional valuer (the "Valuer"). Changes in the fair values of DFI during the year were recognised in the consolidated income statement of HK$275.3 million whereas changes in the fair values of AFS during the year were recognised in other comprehensive income of HK$28.6 million except for the interest on the AFS calculated using the effective interest method of HK$124.5 million, which was recognised in the consolidated income statement. The Valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle, which was then allocated to Particle's common shares and Preferred Shares using the option-pricing model. The fair value of the Preferred Shares was further allocated to the AFS and DFI using the DCF method. We focused on this area because the valuation of the investments in Particle involved significant judgements and estimation uncertainties with key assumptions for revenue growth rate, terminal growth rate, discount rate, lack of marketability discount and volatility, and the carrying values of the investments in Particle were significant, which accounted for approximately 14% of the total assets of the Group at 31 December 2017.	Our audit procedures in relation to the valuation of the investments in Particle included: • Understanding, evaluating and testing, on a sample basis, management's control procedures over reviewing the fair value of investments in Particle; • Evaluating the Valuer's independence, competence, capabilities and objectivity, and reading their valuation reports prepared for financial reporting purposes; • Involving our in-house valuation experts in assessing the appropriateness and consistency of the methodologies used in the valuations; • Checking the mathematical accuracy of the underlying calculations in the valuation models; • Testing, on a sample basis, the accuracy and relevance of input data used by the Valuer; • Assessing the reasonableness of revenue growth rate by comparing it to the approved budgets, actual results of the prior periods and comparable entities; • Assessing the reasonableness of terminal growth rate, discount rate, lack of marketability discount and volatility by comparing those to the market data, including risk-free rates and discount rate of comparable companies in the same industry provided by our in-house valuation experts; • Assessing the reasonableness of the valuation with reference to the value of the recent investments in Preferred Shares of Particle made by third parties; • Considering the results of sensitivity analysis on reasonably possible downside changes in the key assumptions adopted; • Checking the calculation of interest on the debt component of the Preferred Shares recognised in the consolidated income statement using the effective interest method; and • Assessing the appropriateness of the relevant disclosures made in the Group's consolidated financial statements. Based on our work summarised above, we found the valuation methodologies were appropriate and consistently applied, and the key assumptions adopted were supportable in light of available evidence and the current market environment.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Key Audit Matter

Accuracy and recoverability of the receivable from Shenzhou

Refer to Notes 3(a)(ii), 4(a)(ii) and 22 to the consolidated financial statements

At 31 December 2017, the Group had a receivable balance from Shenzhou, the Group's advertising agent in the PRC, of HK$432.2 million which was included in prepayments, deposits and other receivables. This amount represented the net balance from advertising revenue collected by Shenzhou, net of agency commission and service fee earned by Shenzhou and various expenses incurred and payments made by Shenzhou on behalf of the Group.

The receivable balance is unsecured and repayable on demand. Pursuant to the service agreement signed between Shenzhou and the Group dated 5 June 2015, Shenzhou agreed to deposit the advertising revenue collected on behalf of the Group in designated bank accounts in the PRC, which together with any interest generated from these accounts would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest would be charged by the Group on the receivable balance from Shenzhou. Management is of the opinion that the balance is fully recoverable and no provision is required based on their collectability assessment.

Due to the arrangements with Shenzhou described above, there is a risk that the receivable balance at 31 December 2017 may not be accurate, and the outstanding amount accounted for approximately 4.2% of the total assets of the Group. The nature and size of this balance together with the significant judgements exercised by management in their collectability assessment warrant specific audit attention.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the accuracy and recoverability of the receivable from Shenzhou included:

- Understanding and evaluating how management assessed and monitored the credit quality of Shenzhou and the recoverability of the outstanding receivable with reference to Shenzhou's financial position, payment trends and subsequent settlements;
- Agreeing opening balance of the receivable from Shenzhou to the prior year audited accounts and performing analytical procedures on the movements in the balance with Shenzhou during the year to identify if there were any unusual items;
- Agreeing the amounts of cash collected for advertising revenue by Shenzhou recorded in the Group's accounting system to the collection reports submitted by Shenzhou and sales contracts on a sample basis;
- Checking the mathematical accuracy of the calculation of commission and service fee paid to Shenzhou;
- Agreeing, on a sample basis, the expenses and payments made by Shenzhou on behalf of the Group to the instructions given by the Group or other relevant supporting information;
- Checking to the bank advices for cash remitted to the Group by Shenzhou during the year and subsequent to the year-end; and
- Comparing the receivable balance recorded in the Group's accounting system to the external confirmation obtained by us from Shenzhou.

We found management's assessment on the recoverability and accuracy of the receivable from Shenzhou was supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the accounts receivable of the Group *Refer to Notes 3(a)(ii), 4(a)(ii) and 21 to the consolidated financial statements* As at 31 December 2017, the Group's accounts receivable balance amounted to HK$940.2 million comprising gross accounts receivable of HK$1,052.5 million net of provision for impairment of HK$112.3 million. Management has performed an assessment on the recoverability of the accounts receivable balance with reference to the aging analysis as at 31 December 2017. In performing the assessment, management also considered a number of factors including but not limited to the debtors' financial positions, collection history, past experience and subsequent settlements. Management is of the opinion that the provision for impairment of accounts receivable was adequate but not excessive at 31 December 2017. This is considered as a key matter to our audit because of the judgements involved in management's assessment and the financial significance of the receivable balance to the Group's consolidated financial statements.	Our audit procedures in relation to management's assessment on the recoverability of the accounts receivable included: • Understanding, evaluating and testing, on a sample basis, management's credit control procedures and their basis of estimation of the amount of impairment provision required for the accounts receivable balance; • Testing post-year end settlements of accounts receivable on a sample basis; • Obtaining confirmations for a sample of the balances as at 31 December 2017 directly from the debtors and testing the reconciling items. Where a response to the request was not received, we agreed the relevant receivable balances to the underlying sale contracts or supporting information or post year end cash receipts; • Testing the accuracy of aging profile of the accounts receivable at the year end, on a sample basis, against sales invoices and related sales contracts or billing records; and • Discussing with management to assess the recoverability of significant and aged accounts receivable balances by corroborating management's explanations with relevant supporting documentation and market information, including external payment schedules from the customers, and financial information of the customers. We found the judgement and assumptions used by the management in determining the provision for accounts receivable to be supportable based on available evidence.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 April 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Revenue	5	**3,957,487**	3,798,273
Operating expenses	7	**(2,817,858)**	(2,678,183)
Selling, general and administrative expenses	7	**(1,011,700)**	(938,960)
Other gains, net			
Fair value gain on investment properties	15	**44,868**	21,127
Other operating gains, net	6	**300,219**	186,730
Interest income		**195,465**	149,859
Interest expense		**(44,306)**	(41,171)
Share of profits less losses of joint ventures	17	**6,145**	(4,906)
Share of profits less losses of associates	18	**(19,888)**	(12,946)
Profit before income tax		**610,432**	479,823
Income tax expense	9	**(89,579)**	(81,809)
Profit for the year		**520,853**	398,014
Profit attributable to:			
Owners of the Company		**286,248**	230,515
Non-controlling interests		**234,605**	167,499
		520,853	398,014
Earnings per share for profit attributable to the owners of the Company for the year			
Basic earnings per share, Hong Kong cents	10	**5.73**	4.61
Diluted earnings per share, Hong Kong cents	10	**5.73**	4.61

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	2017	2016
	$'000	$'000
Profit for the year	**520,853**	398,014
Other comprehensive income:		
Items that have been reclassified/may be reclassified to profit or loss		
Currency translation differences	**171,984**	(266,683)
Fair value (loss)/gain on available-for-sale financial assets	**(28,635)**	11,650
Total comprehensive income for the year	**664,202**	142,981
Attributable to:		
Owners of the Company	**377,835**	70,846
Non-controlling interests	**286,367**	72,135
	664,202	142,981

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	12	**11,800**	14,886
Lease premium for land	13	**208,619**	210,179
Property, plant and equipment, net	14	**1,080,274**	1,160,842
Investment properties	15	**1,570,414**	1,464,088
Intangible assets	16	**26,960**	25,872
Investments in joint ventures	17	**40,027**	24,159
Investments in associates	18	**78,503**	84,414
Available-for-sale financial assets	26	**725,395**	617,835
Conversion options for convertible redeemable preferred shares	37	**721,002**	440,261
Options for long-term investments	37	**17,702**	17,812
Other long-term assets	22	**52,380**	46,008
Deferred income tax assets	35	**76,925**	69,849
Pledged bank deposit	36	**200,000**	185,000
		4,810,001	4,361,205
Current assets			
Accounts receivable, net	21	**940,240**	721,566
Prepayments, deposits and other receivables	22	**814,524**	565,330
Inventories	23	**7,493**	8,456
Amounts due from related companies	24	**333,610**	261,774
Conversion options for convertible loans	37	**19,513**	10,860
Self-produced programmes		**12,112**	7,328
Purchased programme and film rights, net	12	**147**	231
Financial assets at fair value through profit or loss	25	**24,406**	19,003
Prepaid tax		**8,971**	11,355
Pledged bank deposits	36	**581,666**	622,162
Bank deposits	27	**470,970**	394,666
Restricted cash	28	**587**	548
Cash and cash equivalents	29	**2,220,028**	2,283,990
		5,434,267	4,907,269
Total assets		**10,244,268**	9,268,474

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**499,347**	500,100
Reserves		**4,876,121**	4,525,371
		5,375,468	5,025,471
Non-controlling interests	19(e)	**1,937,120**	1,603,304
Total equity		**7,312,588**	6,628,775
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	34(a)	**329,215**	349,464
Interest rate swap contracts	37	**698**	220
Other long-term liabilities		**4,876**	4,681
Loans from non-controlling shareholders of subsidiaries	34(b)	**251,252**	266,430
Deferred income tax liabilities	35	**185,976**	167,980
		772,017	788,775
Current liabilities			
Accounts payable, other payables and accruals	33	**1,336,620**	1,057,099
Secured bank borrowings	34(a)	**596,507**	632,295
Deferred income		**109,029**	88,209
Loans from non-controlling shareholders of a subsidiary	34(b)	**57,694**	19,274
Current income tax liabilities		**58,823**	52,465
Interest rate swap contracts	37	**990**	1,582
		2,159,663	1,850,924
Total liabilities		**2,931,680**	2,639,699
Total equity and liabilities		**10,244,268**	9,268,474

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 113 to 235 were approved by the Board of Directors on 16 March 2018 and were signed on its behalf.

LIU Changle
Director

CHUI Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company										
	Note	Share capital $'000	Treasury share reserve $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017		500,100	(5,042)	51,658	141,239	1,503,315	(145,513)	16,709	151,204	2,811,801	1,603,304	6,628,775
Profit for the year		-	-	-	-	-	-	-	-	286,248	234,605	520,853
Other comprehensive income												
Currency translation differences		-	-	-	-	-	107,481	-	-	-	64,503	171,984
Fair value loss on available-for-sale financial asset		-	-	-	-	-	-	(15,894)	-	-	(12,741)	(28,635)
Total comprehensive income for the year		-	-	-	-	-	107,481	(15,894)	-	286,248	286,367	664,202
Transactions with owners												
Share option scheme												
– value of employee services		-	-	-	-	-	-	-	31,648	-	23,828	55,476
– lapse of share options		-	-	106,328	-	-	-	-	(106,328)	-	-	-
Repurchase of share		-	(4,512)	(30)	-	-	-	-	-	-	-	(4,542)
Cancellation of repurchase share		(753)	9,554	(8,801)	-	-	-	-	-	-	-	-
Dividends related to 2016	11	-	-	-	-	-	-	-	-	(49,935)	-	(49,935)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(18,931)	(18,931)
Allocation to statutory reserve		-	-	-	3,454	-	-	-	-	(3,454)	-	-
Capital contribution from non-controlling interest		-	-	-	-	-	-	-	-	-	407	407
Deemed disposal of partial interest in a subsidiary arising from issue of shares		-	-	-	-	7,090	-	-	-	-	15,525	22,615
Deemed disposal of a subsidiary		-	-	-	-	-	-	-	-	-	844	844
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	39	-	-	-	-	4,731	-	-	(16,830)	-	25,776	13,677
Total transactions with owners		(753)	5,042	97,497	3,454	11,821	-	-	(91,510)	(53,389)	47,449	19,611
Balance at 31 December 2017		499,347	-	149,155	144,693	1,515,136	(38,032)	815	59,694	3,044,660	1,937,120	7,312,588

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.

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company										
	Note	Share capital $'000	Treasury share reserve $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		500,099	–	49,619	131,854	1,505,548	20,616	10,249	155,694	2,640,681	1,530,008	6,544,368
Profit for the year		–	–	–	–	–	–	–	–	230,515	167,499	398,014
Other comprehensive income												
Currency translation differences		–	–	–	–	–	(166,129)	–	–	–	(100,554)	(266,683)
Fair value gain on available-for-sale financial asset		–	–	–	–	–	–	6,460	–	–	5,190	11,650
Total comprehensive income for the year		–	–	–	–	–	(166,129)	6,460	–	230,515	72,135	142,981
Transactions with owners												
Share option scheme												
– value of employee services		–	–	–	–	–	–	–	–	–	2,458	2,458
– recognition of shares issued on exercise of options		1	–	10	–	–	–	–	(2)	–	–	9
– lapse of share options		–	–	2,047	–	–	–	–	(2,047)	–	–	–
Repurchase of share		–	(5,042)	(18)	–	–	–	–	–	–	–	(5,060)
Dividends related to 2015	11	–	–	–	–	–	–	–	–	(50,010)	–	(50,010)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(15,046)	(15,046)
Allocation to statutory reserve		–	–	–	9,385	–	–	–	–	(9,385)	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	8,483	8,483
Deemed disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(2,509)	(2,509)
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	39	–	–	–	–	(2,233)	–	–	(2,441)	–	7,775	3,101
Total transactions with owners		1	(5,042)	2,039	9,385	(2,233)	–	–	(4,490)	(59,395)	1,161	(58,574)
Balance at 31 December 2016		500,100	(5,042)	51,658	141,239	1,503,315	(145,513)	16,709	151,204	2,811,801	1,603,304	6,628,775

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Cash flows from operating activities			
Cash generated from operations	38(a)	**260,499**	921,643
Interest received		**51,153**	68,835
Interest paid		**(44,306)**	(41,171)
Hong Kong taxation paid		**(22,155)**	(35,767)
Overseas taxation paid		**(52,574)**	(78,763)
Net cash generated from operating activities		**192,617**	834,777
Cash flows from investing activities			
Decrease of restricted cash		**–**	957
Decrease/(increase) of pledged bank deposits	36	**25,496**	(151,970)
(Increase)/decrease in bank deposits	27	**(76,304)**	67,481
Purchase of intangible assets	16	**(9,355)**	(11,691)
Purchase of property, plant and equipment	14	**(92,009)**	(117,219)
Purchase of programme and film rights	12	**(9,842)**	(16,915)
Net cash outflow from disposal of a subsidiary	38(c)	**(6,086)**	(4,719)
Capital contribution to various investments		**(35,607)**	(221,120)
Loans to a related company	42	**(83,835)**	(166,833)
Proceeds from disposal of property, plant and equipment		**8,937**	2,720
Investment income from financial assets at fair value through profit or loss		**7,442**	8,878
Capital return from an associate	18	**13,927**	–
Net cash used in investing activities		**(257,236)**	(610,431)

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Cash flows from financing activities			
Proceeds from exercise of share options of the Company	31, 32	**–**	9
Dividends paid to owners of the Company	11	**(49,935)**	(50,010)
Proceeds from exercise of share options of a subsidiary		**13,677**	3,101
Drawdown of secured bank borrowings	38(b)	**604,116**	406,548
Repayment of secured bank borrowings	38(b)	**(685,806)**	(619,182)
Repayment of loans from non-controlling interest		**–**	(127,528)
Loans from non-controlling shareholders of subsidiaries	38(b)	**11,137**	137,894
Capital contribution from non-controlling interest		**407**	8,483
Deemed disposal of partial interest in a subsidiary arising from issue of shares		**22,615**	–
Dividends paid to non-controlling interests		**(18,931)**	(15,046)
Payment for repurchase of shares		**(4,542)**	(5,060)
Repayment of other long-term liabilities		**–**	(72,793)
Net cash used in financing activities		**(107,262)**	(333,584)
Net decrease in cash and cash equivalents		**(171,881)**	(109,238)
Cash and cash equivalents at beginning of year		**2,283,990**	2,542,692
Net exchange gains/(losses) on cash and cash equivalents		**107,919**	(149,464)
Cash and cash equivalents at end of year	29	**2,220,028**	2,283,990

The notes on pages 121 to 235 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

1 General information

Phoenix Media Investment (Holdings) Limited (formerly known as "Phoenix Satellite Television Holdings Limited") (the "Company") and its subsidiaries (together, the "Group") engage principally in satellite television broadcasting and provision of internet media services.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong Special Administrative Region of the People's Republic of China ("PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. 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 financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 16 March 2018.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies and disclosures

HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group.

(i) Effect of adopting amendments to standards effective in 2017

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	Disclosure of Interest in Other Entities

The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group for the year ended 31 December 2017.

(ii) New standards, amendments to standards and interpretations not yet adopted by the Group

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year ended 31 December 2017 and have not been early adopted by the Group:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (1)
HKFRS 9	Financial Instruments (1)
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation (2)
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures (2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (1)
HKFRS 17	Insurance Contracts (3)
HKFRS 15	Revenue from Contracts with Customers (1)
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 (1)
HKFRS 16	Leases (2)
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration (1)
HK (IFRIC) 23	Uncertainty over Income Tax Treatments (2)
HKAS 40 (Amendments)	Transfers of Investment Property (1)
Annual Improvements to HKFRSs 2014-2016 Cycle (1)	
Annual Improvements to HKFRSs 2015-2017 Cycle (2)	

(1) Effective for the Group for annual period beginning on 1 January 2018
(2) Effective for the Group for annual period beginning on 1 January 2019
(3) Effective for the Group for annual period beginning on 1 January 2021
(4) Effective date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies and disclosures (Continued)

(ii) New standards, amendments to standards and interpretations not yet adopted by the Group (Continued)

The Group will apply the above new standards, amendments to standards and interpretations from 1 January 2018 or later periods. The Group has commenced an assessment of the expected impact of the new standards as set our below:

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group owns a number of Preferred Shares issued by Particle Inc. The investments in the Preferred Shares were currently separated into debt component classified as available-for-sale financial assets and derivative component classified as conversion options for convertible redeemable preferred shares. Upon adoption of HKFRS 9, the entire investments in Preferred Shares will be accounted for as financial assets at fair value through profit or loss. HKFRS 9 does not require an entity to restate prior periods figures. However, the entity needs to apply this new standard retrospectively. Any difference between previous carrying amounts and those determined under HKFRS 9 at the date of initial application should be included in opening retained earnings (or other equivalent component of equity).

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to customer. The standard permits either a full retrospective or modified retrospective approach for the adoption.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any material impact to the Group.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$931,353,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies and disclosures (Continued)

(ii) New standards, amendments to standards and interpretations not yet adopted by the Group (Continued)

HKFRS 16 Leases (Continued)

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(e) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other assets and liabilities are presented in the consolidated income statement within "Other gains, net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

No depreciation is provided on assets under construction until they are completed and are available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, as follows:

Buildings	2.05–3.33%
Leasehold improvements	shorter of 6.67%–33.3% or over the terms of the leases
Furniture and fixtures	15%–20%
Broadcast operations and other equipment	10%–33.3%
Motor vehicles	20%–25%
LED panels	10%–11.1%
Aircraft	7.1%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(m)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net", in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(i) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other gains, net".

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of two to ten years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to four years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(j) Intangible assets (Continued)

(iii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of three years.

(iv) Club debentures

Acquired club debentures are intangible assets with an indefinite useful life. They are therefore shown at historical cost and are not amortised. Impairment assessments on club debentures are carried out by comparing their recoverable amounts with their carrying amounts annually and whenever there is an indication that the intangible assets maybe impaired.

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

(k) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. Cost of film rights is expensed in the consolidated income statement on the first and second showing and cost of purchased programme is expensed in the consolidated income statement by amortising the cost over the licence period on a straight line basis.

Purchased programme with licence period of 12 months or less and film rights with economic lives of 12 months or less are classified as current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(l) Self-produced programmes

Self-produced programmes are stated at cost less any impairment losses. Cost comprises direct production expenditures and an appropriate portion of production overheads. Programmes in production that are abandoned are written off in the consolidated income statement immediately, or when the revenue to be generated by these programmes is determined to be lower than cost, the cost is written down to recoverable amount. Completed programmes will be broadcast over a short period of time and their costs are expensed in the consolidated income statement in accordance with a formula computed to write off the cost over the broadcast period.

(m) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(n) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges (Note 2(p)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise bank deposits, accounts receivable, other receivables, amounts due from related companies, amounts due from joint ventures, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2(r) and 2(s)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period. Available-for-sale financial assets represent unlisted securities of private issuers outside Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(n) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in "Revaluation reserve" within equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of "Interest income". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(p) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are initially recognised in the consolidated statement of financial position at their fair value.

If the fair value of the derivatives at initial recognition differs from the transaction price and the fair value is not evidenced by a quoted price in an active market for an identical asset or based on valuation technique that uses only data from observable markets, such difference between fair value at initial recognition and the transaction price is deferred. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the derivatives.

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the consolidated income statement.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(q) Inventories

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(r) Accounts and other receivables

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(t) Deferred income

Deferred income represents advertising revenue, subscription revenue and promotion service revenue received in advance from third party customers.

(u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company reacquires its own equity instruments, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Such treasury shares may be acquired and held by the Group. Consideration paid or received shall be recognised directly in equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(v) Accounts payable, other payables and accruals

Accounts payable, other payables and accruals are recognised initially at fair value and subsequently measured of amortised cost using effective interest method.

(w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(x) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(x) Current and deferred income tax (Continued)

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Employee benefits

(i) Pension obligations

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the consolidated income statement represent contributions paid or payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or set up their own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are expensed in the consolidated income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(y) Employee benefits (Continued)

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit to the employee share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The fair value of options, at the time of grant is expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Cancellation of share options accompanied by the grant of replacement share options is accounted for as a modification of the terms of the cancelled share options. The compensation costs associated with the modification are recognised if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original share options. The incremental compensation cost is measured as the excess of the fair value of the replacement share options over the fair value of the cancelled share options at the cancellation date. Therefore, in relation to the modification, the Group recognises share-based compensation over the new vesting periods, which comprises (i) the amortisation of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognized compensation cost of original share option, using either the original term or the new term, whichever is higher for each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(y) Employee benefits (Continued)

(iii) Share-based compensation (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(z) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated for the sale net of value-added tax, related agency commission expenses and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Advertising revenue

Advertising revenue, net of agency deductions is recognised upon the broadcast or posting of advertisements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(aa) Revenue recognition (Continued)

(ii) Mobile, video and wireless value added services income

Mobile, video and wireless value added services income are recognised in the period in which the services are performed or recognised evenly in the subscription period.

(iii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis to the consolidated income statement. The unamortised portion is classified as deferred income.

(iv) Magazine advertising revenue

Magazine advertising revenue net of commission expense is recognised when the magazine is published.

(v) Magazine subscription/circulation revenue

Magazine subscription or circulation revenue represents subscription or circulation money received or receivable from customers and is recognised when the respective magazine is sold.

(vi) Sales of decoder devices and satellite receivers

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vii) Barter revenue

Barter revenue is recognised at the fair value of goods or services received or receivable in the transaction upon the broadcast of advertisements, the publishing of the magazine or the provision of promotion services to be provided by the Group in the barter transaction.

(viii) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(ix) Tuition revenue

Tuition revenue for educational programs and services is recognised when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2 Summary of significant accounting policies (Continued)

(aa) Revenue recognition (Continued)

(x) Consultancy and advisory fees

Consultancy and advisory fees are recognised when the services are rendered.

(ab) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessee

Payments made under operating leases (net of any incentives received from the lessor) including upfront payment made for lease premium for land, are charged to the consolidated income statement on a straight-line basis over the lease term.

(ac) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is mainly carried out by the finance department (the "Finance Department") headed by the Chief Financial Officer ("CFO") of the Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and US dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group engage in transactions mainly in HK$, RMB and US$ to the extent possible. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for monitoring and managing the net position in each foreign currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations, such as those in the People's Republic of China (the "PRC"), the United Kingdom and the United States is managed primarily through operating liabilities denominated in the relevant foreign currencies.

If the functional currency of the group entities had weakened/strengthened by 5% (2016: 5%) against the foreign currency of the net monetary assets of corresponding group entities, with all other variables held constant, after-tax profit for the year would have been HK$114,800,000 (2016: HK$98,732,000) higher or lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(b) Price risk

The Group is exposed to listed securities price risk because certain investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group has investment in the equity of a publicly traded entity. For further details of price risk exposed by the Group, please refer to Note 25.

(c) PRC regulations

The Group is exposed to certain macroeconomic and regulatory risks and uncertainties in the Chinese market. These uncertainties affect the ability of the Group to provide online advertising, mobile and Internet related services, and educational programs and services through contractual arrangements in the PRC since these industries remain highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax law, the status of properties leased for the Group's operations and legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Group's ability to conduct business in the PRC. The PRC government may also require the Group to restructure its operation entirely if it finds that the Group's contractual arrangements do not comply with applicable laws and regulation. It is unclear how a restructuring could impact the Group's business and operating results, as the PRC government has not yet found any such contractual arrangements to be in noncompliance. However, any such restructuring may cause significant disruption to the Group's business operations.

(d) Cash flow and fair value interest rate risks

The Group's cash flow and fair value interest-rate risks primarily arise from bank deposits, amount due from Shenzhou (Note 22), amount due from a related company (Note 24) and bank borrowings. Bank deposits placed, bank borrowings and amounts due from Shenzhou issued at variable rates expose the Group to cash flow interest-rate risk whereas bank deposits placed, and amounts due from a related company at fixed rates expose the Group to fair value interest-rate risk. The Finance Department's policy is to maintain an appropriate level between fixed-rate and floating-rate deposits and use interest rate swap contract to manage certain cash flow interest rate risks (Note 37).

At 31 December 2017, with all other variables held constant, if the interest rates of interest-bearing assets had increased/decreased by 1%, after-tax profit for the year would have been HK$31,663,000 (2016: HK$28,861,000) higher or lower.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(d) Cash flow and fair value interest rate risks (Continued)

At 31 December 2017, with all other variables held constant, if the interest rates of interest-bearing liabilities had increased/decreased by 1%, after-tax profit for the year would have been HK$9,257,000 (2016: HK$9,818,000) lower or higher.

(ii) Credit risk

The Group's credit risk arises from cash and cash equivalents, loans and receivables, deposits with banks and financial institutions, as well as credit exposures to advertising agents and customers, including outstanding receivables and committed transactions. The Group has a receivable from an advertising agent, Shenzhou, in the PRC amounting to HK$432,203,000 (2016: HK$248,356,000) representing approximately 4% (2016: 3%) of the total assets of the Group as of 31 December 2017. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers and advertising agents, taking into account their financial position, collection history, past experience and other factors. For banks, financial institutions and issuers of derivative financial instruments, only reputable well established banks and financial institutions are accepted.

The Group has put in place policies to ensure that the sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

Most of the payment terms for advertising revenue will be agreed between the Group and the customers at the beginning of year. Customers will make payments in accordance with the contract terms. The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

See Note 20 for further disclosure on credit risk.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Department aims to maintain flexibility in funding by keeping committed banking facilities available. Details of cash and cash equivalents and banking facilities are set out in Notes 29 and 30 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year $'000	**More than one year but not exceeding two years $'000**	**More than two years but not exceeding five years $'000**	**More than five years $'000**
Group				
At 31 December 2017				
Accounts payable, other payables and accruals	**1,322,624**	**–**	**–**	**–**
Secured bank borrowings	**620,102**	**243,292**	**104,729**	**2,629**
Loans from non-controlling shareholders of subsidiaries	**57,694**	**77,163**	**155,239**	**18,850**
At 31 December 2016				
Accounts payable, other payables and accruals	1,042,744	–	–	–
Secured bank borrowings	651,368	218,195	156,069	2,721
Loans from non-controlling shareholders of a subsidiary	19,274	89,922	158,410	18,098

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, adjust the amounts of borrowings or issue new shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted pries included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Finance Department reviews the valuations of the Group's financial instruments. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 December 2017. See Note 15 for disclosures of the investment properties that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	**24,406**	**–**	**–**	**24,406**
Available-for-sale financial assets				
– Preferred Shares				
– debt component	**–**	**–**	**705,712**	**705,712**
– Equity securities	**–**	**–**	**19,683**	**19,683**
Derivative financial instrument				
– Conversion options for convertible redeemable preferred shares	**–**	**–**	**721,002**	**721,002**
– Conversion options for convertible loans	**–**	**–**	**19,513**	**19,513**
– Options for long-term investments	**–**	**–**	**17,702**	**17,702**
	24,406	**–**	**1,483,612**	**1,508,018**
Liability				
Derivative financial instruments				
– Interest rate swap contracts	**–**	**(1,688)**	**–**	**(1,688)**
	–	**(1,688)**	**–**	**(1,688)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading equity securities	19,003	–	–	19,003
Available-for-sale financial assets				
– Preferred Shares				
– debt component	–	–	605,849	605,849
– Equity securities	–	–	11,986	11,986
Derivative financial instrument				
– Conversion options for convertible redeemable preferred shares	–	–	440,261	440,261
– Conversion options for convertible loans	–	–	10,860	10,860
– Options for long-term investments	–	–	17,812	17,812
	19,003	–	1,086,768	1,105,771
Liability				
Derivative financial instruments				
– Interest rate swap contracts	–	(1,802)	–	(1,802)
	–	(1,802)	–	(1,802)

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2017, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$24,406,000 (2016: HK$19,003,000) (Note 25).

(ii) Financial instrument in level 2

The fair values of interest rate swap contracts are determined by valuation techniques that use observable inputs such as interest rates, yield curves and foreign currency rates that are observable at commonly quoted intervals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2017 ($'000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Preferred Shares (comprising debt component of HK$705,712,000 and derivative component of conversion options of HK$721,002,000)	1,426,714	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	45%	The lower the volatility, the higher the fair value
			Revenue growth rate	5%-94%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options for long-term investments	17,702	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	35%	The lower the discount rate, the higher the fair value
Conversion options for convertible loans	19,513	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	12.7%	The lower the discount rate, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2016 ($'000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Preferred Shares (comprising debt component of HK$605,849,000 and derivative component for conversion options of HK$440,261,000)	1,046,110	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	43%	The lower the volatility, the higher the fair value
			Revenue growth rate	10%-205%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options for long-term investments	17,812	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	33%	The lower the discount rate, the higher the fair value
Conversion options for convertible loans	10,860	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	17.1%-18.2%	The lower the discount rate, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Preferred Shares represent investments in Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares (as at 31 December 2016: Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares) of Particle Inc.("Particle") by the Group (see Note 42 for details).

An independent professional valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle, which was then allocated to Particle's common shares and Preferred Shares using the option-pricing and binomial models. The fair value of the Preferred Shares was further allocated to the debt component and derivative component using the DCF method.

The following table presents the changes in level 3 instruments during the year ended 31 December 2017. The carrying value of derivative component of the Preferred Shares recognised in the consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Equity Securities	Conversion options for convertible loans	Options for long term investment	Preferred Shares				Total
				Debt component	Derivative component (conversion options)			
					Gross	Deferred day one gain	Net	
	$'000	$'000	$'000	$'000 (Note 26)	$'000	$'000	$'000 (Note 37)	$'000
Opening balance on 1 January 2017	11,986	10,860	17,812	605,849	444,615	(4,354)	440,261	1,086,768
Additions	7,068	–	–	–	–	–	–	7,068
Losses recognised in other comprehensive income	–	–	–	(28,635)	–	–	–	(28,635)
Gains and losses recognised in profit or loss	–	7,977	(856)	–	275,299	–	275,299	282,420
Interest income	–	–	–	124,529	–	–	–	124,529
Amortisation of deferred day one gain in profit or loss	–	–	–	–	–	2,075	2,075	2,075
Currency translation differences	629	676	746	3,969	3,367	–	3,367	9,387
Closing balance on 31 December 2017	19,683	19,513	17,702	705,712	723,281	(2,279)	721,002	1,483,612
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	–	7,977	(856)	–	275,299	2,075	277,374	284,495
Changes in unrealised losses for the year included in other comprehensive income at the end of the year	–	–	–	(28,635)	–	–	–	(28,635)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Equity Securities	Conversion options for convertible loans	Options for long term investment	Preferred Shares				Total
				Debt component	Derivative component (conversion options)			
					Gross	Deferred day one gain	Net	
	$'000	$'000	$'000	$'000 (Note 26)	$'000	$'000	$'000 (Note 37)	$'000
Opening balance on 1 January 2016	1,212	–	–	390,200	223,219	(6,477)	216,742	608,154
Transfer	(1,212)	–	–	–	–	–	–	(1,212)
Additions	11,986	14,085	18,282	122,744	38,171	–	38,171	205,268
Gains recognised in other comprehensive income	–	–	–	11,650	–	–	–	11,650
Gains and losses recognised in profit or loss	–	(3,225)	(471)	–	183,152	–	183,152	179,456
Interest income	–	–	–	81,024	–	–	–	81,024
Amortisation of deferred day one gain in profit or loss	–	–	–	–	–	2,123	2,123	2,123
Currency translation differences	–	–	1	231	73	–	73	305
Closing balance on 31 December 2016	11,986	10,860	17,812	605,849	444,615	(4,354)	440,261	1,086,768
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	–	(3,225)	(471)	–	183,152	2,123	185,275	181,579
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	–	–	–	11,650	–	–	–	11,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
	10% increase or decrease	1% increase or decrease	3% increase or decrease	3% increase or decrease	5% increase or decrease
Year ended 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Preferred Shares	**312,676/(283,332)**	**61,185/(54,649)**	**(293,911)/405,095**	**(63,903)/64,281**	**(3,958)/111,205**

	Revenue growth rate	Terminal growth rate	Discount rate	DLOM	Volatility
	10% increase or decrease	1% increase or decrease	3% increase or decrease	3% increase or decrease	5% increase or decrease
Year ended 31 December 2016	$'000	$'000	$'000	$'000	$'000
Preferred Shares	272,086/(258,250)	50,702/(40,171)	(201,155)/277,349	(41,244)/47,149	(959)/81,496

No sensitivity analysis for options for long term investments amounted to HK$17,702,000 and conversion options for convertible loans amounted to HK$19,513,000 at 31 December 2017 (2016: options for long term investments amounted to HK$17,812,000 and conversion options for convertible loans amounted to HK$10,860,000 respectively) is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3 Financial risk management (Continued)

(d) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2017	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	**540,446**	**–**	**540,446**	**(16,866)**	**523,580**
– Not subject to master netting arrangement	**399,794**	**–**	**399,794**	**–**	**399,794**
	940,240	**–**	**940,240**	**(16,866)**	**923,374**

As at 31 December 2016	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	458,132	–	458,132	(23,351)	434,781
– Not subject to master netting arrangement	263,434	–	263,434	–	263,434
	721,566	–	721,566	(23,351)	698,215

Notes:

(i) Internet advertising customers have provided cash collateral to the Group of HK$16,866,000 (2016: HK$23,351,000) as protection for payment and contractual obligations under the terms of advertising sale agreements. The Group has the right to invoke the collateral if a customer has failed to settle outstanding payments or full contractual obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair values of available-for-sale financial assets and derivative financial instruments

The fair values of available-for-sale financial assets and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details, refer to Note 3 (c)(iii).

(ii) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectability of accounts receivable, other receivables, amounts due from related companies and the receivable from an advertising agent, Shenzhou. In making such judgement, management considers a number of factors including but not limited to the financial positions, collection history, past experience and subsequent settlements of debtors and Shenzhou.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. For the Group's tax exposure in the PRC, please refer to Note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

(v) Recognition of share-based compensation expense

The Group adopts the Black-Scholes option pricing model to determine the fair value of share options at the grant date. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes model, including estimates and assumptions regarding the risk-free interest rate, expected dividend yield and volatility of the underlying shares and the expected life of the share options. Changes in these estimates and assumptions could affect the determination of the fair value of the options, and the amount of such share-based awards expected to become vested, which may in turn impact the determination of the share-based compensation expense.

(b) Critical judgements in applying the Group's accounting policies

(i) Control over Phoenix Metropolis Media Technology Company Limited ("PMM Beijing")

Management considers that the Group has de facto control of PMM Beijing even though it has less than 50% of the voting rights. Management has exercised its critical judgement when determining whether the Group has de facto control over PMM Beijing by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM Beijing; and (ii) the Group has the ability to direct the relevant activities of PMM Beijing, i.e. the activities that significantly affect PMM Beijing; and (iii) PMM Beijing and other shareholders highly rely on the Group's industry expertise, brand, network, and reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information

The Group is principally engaged in satellite television broadcasting and provision of new media services. An analysis of the Group's revenue by nature is as follows:

	2017	2016
	$'000	$'000
Advertising sales		
Television broadcasting	**1,242,914**	1,340,271
Internet media	**1,468,037**	1,362,129
Outdoor media	**710,921**	602,767
Mobile, video and wireless value added services income	**265,057**	267,532
Subscription sales	**73,664**	85,550
Magazine advertising and subscription or circulation	**37,797**	41,469
Rental income	**29,464**	27,606
Others	**129,633**	70,949
	3,957,487	3,798,273

The operating segments have been based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective.

The Group has five 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 and Entertainment Channel, Phoenix Hong Kong Channel and others

(ii) Internet 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2017								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	Internet media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,216,859	119,756	1,336,615	1,733,094	721,436	29,464	136,878	–	3,957,487
Inter-segment sales (Note c)	–	39,199	39,199	6,160	–	9,685	5,927	(60,971)	–
Total revenue	1,216,859	158,955	1,375,814	1,739,254	721,436	39,149	142,805	(60,971)	3,957,487
Segment results	348,532	(32,510)	316,022	453,583	119,524	(6,818)	(33,490)	–	848,821
Unallocated income (Note a)									62,143
Unallocated expenses (Note b)									(286,789)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									624,175
Share of profits less losses of joint ventures									6,145
Share of profits less losses of associates									(19,888)
Income tax expense									(89,579)
Profit for the year									520,853
Non-controlling interests									(234,605)
Profit attributable to owners of the Company									286,248
Depreciation	(24,810)	(15,882)	(40,692)	(40,839)	(31,279)	(36,286)	(3,548)	–	(152,644)
Unallocated depreciation									(41,822)
									(194,466)
Interest income	–	414	414	182,495	3,069	95	309	–	186,382
Unallocated interest income									9,083
									195,465
Interest expenses	–	(71)	(71)	(25,461)	–	(13,552)	–	–	(39,084)
Unallocated interest expenses									(5,222)
									(44,306)
Impairment of property, plant and equipment	–	–	–	–	(4,367)	–	–	–	(4,367)
Unallocated impairment of property, plant and equipment									–
									(4,367)
Reversal of provision for impairment of accounts receivable	–	–	–	32,691	876	–	–	–	33,567
Provision for impairment of accounts receivable	–	(176)	(176)	(22,195)	(1,974)	–	–	–	(24,345)
Provision for impairment of amount due from a joint venture	–	–	–	(17,328)	–	–	–	–	(17,328)
Provision for impairment of amount due from an associate	–	–	–	(1,199)	–	–	–	–	(1,199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

	Year ended 31 December 2016								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	Internet media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,310,632	120,315	1,430,947	1,629,661	610,295	27,606	99,764	–	3,798,273
Inter-segment sales (Note c)	–	42,377	42,377	–	–	7,295	77	(49,749)	–
Total revenue	1,310,632	162,692	1,473,324	1,629,661	610,295	34,901	99,841	(49,749)	3,798,273
Segment results	447,307	(29,688)	417,619	389,113	67,283	(47,251)	(7,442)	–	819,322
Unallocated income (Note a)									28,080
Unallocated expenses (Note b)									(349,727)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									497,675
Share of profits less losses of joint ventures									(4,906)
Share of profits less losses of associates									(12,946)
Income tax expense									(81,809)
Profit for the year									398,014
Non-controlling interests									(167,499)
Profit attributable to owners of the Company									230,515
Depreciation	(32,384)	(19,129)	(51,513)	(49,227)	(33,796)	(36,251)	(5,542)	–	(176,329)
Unallocated depreciation									(43,785)
									(220,114)
Interest income	1	1,007	1,008	135,247	2,646	198	198	–	139,297
Unallocated interest income									10,562
									149,859
Interest expenses	–	(66)	(66)	(8,173)	–	(26,973)	–	–	(35,212)
Unallocated interest expenses									(5,959)
									(41,171)
Impairment of property, plant and equipment	–	–	–	(104)	(7,607)	–	–	–	(7,711)
Unallocated impairment of property, plant and equipment									(12,100)
									(19,811)
Reversal of provision for impairment of accounts receivable	–	–	–	8,103	–	–	–	–	8,103
Provision for impairment of accounts receivable	–	(11)	(11)	(63,275)	(2,674)	–	(627)	–	(66,587)
Reversal of provision for impairment of amounts due from joint ventures	–	–	–	1,224	–	–	–	–	1,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5 Revenue and segment information (Continued)

Notes:

(a) Unallocated income represents exchange gain, interest income, investment income and other income.

(b) Unallocated expenses represent primarily:

– corporate staff costs;
– office rental;
– general administrative expenses;
– marketing and advertising expenses relate to the Group as a whole; and
– exchange loss.

(c) Sales between segments are carried out based on terms determined by management with reference to market prices.

Revenue from external customers by country, based on the destination of the customer:

	2017 **$'000**	2016 $'000
The PRC	**3,819,941**	3,675,533
Hong Kong	**50,557**	28,136
Others	**86,989**	94,604
	3,957,487	3,798,273

Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2017 **$'000**	2016 $'000
The PRC	**2,351,641**	2,263,644
Hong Kong	**864,360**	893,035
Others	**52,976**	58,769
	3,268,977	3,215,448

6 Other operating gains, net

	2017 **$'000**	2016 $'000
Exchange gain/(loss), net	**8,083**	(55,812)
Investment income	**7,442**	8,878
Fair value gain on financial assets at fair value through profit or loss (Note 25)	**5,403**	107
Fair value gain on derivative financial instruments (Note 37)	**284,609**	183,005
Gain on deemed disposal of a subsidiary (Note 38(c))	**5,007**	49,344
(Provision for)/reversal of provision for impairment of amounts due from joint ventures (Note 24(a))	**(17,328)**	1,224
Provision for impairment of amounts due from an associate	**(1,199)**	–
Others, net	**8,202**	(16)
	300,219	186,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

7 Profit before income tax

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

	2017 $'000	2016 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**(33,567)**	(8,103)
Gain on disposal of property, plant and equipment	**(5,517)**	(533)
Charging		
Production costs of self-produced programmes	**203,163**	195,913
Commission expenses	**370,055**	372,202
Bandwidth costs	**63,439**	75,056
Provision for impairment of accounts receivable	**24,345**	66,587
Employee benefit expenses (including Directors' emoluments) (Note 8)	**1,277,283**	1,185,144
Operating lease rental in respect of		
– Directors' quarters	**1,882**	1,893
– Land and buildings of third parties	**62,521**	70,374
– LED panels	**200,954**	195,659
Loss on disposal of property, plant and equipment	**4,905**	678
Depreciation of property, plant and equipment	**194,466**	220,114
Amortisation of purchased programme and film rights	**12,256**	16,358
Amortisation of lease premium for land	**5,725**	5,786
Amortisation of intangible assets	**9,073**	1,663
Impairment of property, plant and equipment	**4,367**	19,811
Auditor's remuneration		
– Audit services	**13,930**	13,512
– Non-audit services	**1,051**	1,736
Outgoings for investment properties	**5,604**	3,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8 Employee benefit expenses

	2017	2016
	$'000	$'000
Wages, salaries and other allowances	**1,200,629**	1,161,590
Unutilized annual leave	**(295)**	(875)
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	**21,473**	21,971
Share-based compensation expense (Note 32)	**55,476**	2,458
	1,277,283	1,185,144

(a) Pensions – defined contribution plans

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans based on various percentages of the employees' salaries or a fixed sum per employee with reference to their salary level. The assets of these schemes are generally held in separate trustee administered funds.

Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2017, the aggregate amount of the employer's contributions was approximately HK$18,670,000 (2016: HK$18,983,000) and the total amount of forfeited contributions was approximately HK$1,520,000 (2016: HK$1,427,000).

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$30,000 from 1 June 2014 onwards for each employee. For those employees with monthly relevant income less than HK$7,100, since 1 November 2013, the employees' contributions are voluntary.

For the year ended 31 December 2017, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$2,579,000 (2016: HK$2,633,000) and the forfeited contributions was HK$44,000 (2016: HK$61,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8 Employee benefit expenses (Continued)

(b) Five highest paid individuals and senior managements' emoluments

The five highest paid individuals in the Group for the year ended 31 December 2017 included three Directors (2016: three) and two members of senior management (2016: two). The aggregate emoluments paid/payable to the five highest paid individuals during the year are as follows:

	2017 **$'000**	2016 $'000
Salaries	**18,768**	18,837
Discretionary bonus	**846**	667
Housing allowance	**5,786**	5,786
Pension costs	**1,388**	1,388
	26,788	26,678

The emoluments of the five highest paid individuals (2016: five highest paid individuals) fall within the following bands:

	Number of individuals	
Emolument band	**2017**	2016
HK$3,500,001 – HK$4,000,000	**2**	2
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	1
HK$9,000,001 – HK$9,500,000	**1**	1
	5	5

During the year, no emoluments or incentive payments were paid or payable to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office except as disclosed above (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on PRC and 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.

	2017 $'000	2016 $'000
Current income tax		
– Hong Kong profits tax	**26,071**	36,190
– PRC and overseas taxation	**57,568**	63,057
– Over provision of tax in the prior year	**(1,396)**	(8,321)
Deferred income tax (Note 35)	**7,336**	(9,117)
	89,579	81,809

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 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.

Certain subsidiaries enjoyed preferential tax rates of 15% (2016: 15%) for being new technology enterprises in the PRC. In addition, a subsidiary enjoyed income tax exemption (2016: one) and a subsidiary enjoyed preferential tax rate of 12.5% (2016: 12.5%) for being software enterprise in the PRC.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the location in which the Company operates as follows:

	2017 $'000	2016 $'000
Profit before income tax	**610,432**	479,823
Calculated at a taxation rate of 16.5% (2016: 16.5%)	**100,721**	79,171
Income not subject to taxation	**(136,637)**	(104,427)
Expenses not deductible for taxation purposes	**55,099**	47,010
Tax losses not recognised	**20,447**	27,663
Effect of different tax rate in other countries	**62,940**	42,722
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(6,996)**	(2,009)
Utilisation of previously unrecognised tax losses	**(4,599)**	–
Over provision of tax in the prior year	**(1,396)**	(8,321)
Income tax expense	**89,579**	81,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

10 Earnings per share

(a) Basic

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

	2017	2016
Profit attributable to owners of the Company ($'000)	**286,248**	230,515
Weighted average number of ordinary shares in issue ('000)	**4,993,803**	5,000,860
Basic earnings per share (Hong Kong cents)	**5.73**	4.61

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary (2016: share options of the Company and a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share. The impact of the dilutive instruments of the subsidiary is not material to the Group's diluted earnings per share.

	2017	2016
Profit attributable to owners of the Company ($'000)	**286,248**	230,515
Weighted average number of ordinary shares in issue ('000)	**4,993,803**	5,000,860
Adjustment for share options of the Company ('000)	**10**	589
Weighted average number of ordinary shares for diluted earnings per share ('000)	**4,993,813**	5,001,449
Diluted earnings per share (Hong Kong cents)	**5.73**	4.61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 Dividends

	2017	2016
	$'000	$'000
Proposed final dividend of 1 Hong Kong cent (2016: 1 Hong Kong cent) per share	**49,935**	50,010

The 2016 final dividend paid during the year ended 31 December 2017 were approximately HK$49,935,000 (1 Hong Kong cent per share). The Board of Directors of the Company ("Board") recommend the payment of a final dividend of 1 Hong Kong cent per share, totaling approximately HK$49,935,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2018. These consolidated financial statements do not reflect this dividend payable.

12 Purchased programme and film rights, net

	2017	2016
	$'000	$'000
Balance, beginning of year	**15,117**	15,845
Additions	**9,842**	16,915
Amortisation	**(12,256)**	(16,358)
Others	**(756)**	(1,285)
Balance, end of year	**11,947**	15,117
Less: Purchased programme and film rights – current portion	**(147)**	(231)
	11,800	14,886

13 Lease premium for land

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2017	2016
	$'000	$'000
Balance, beginning of year	**210,179**	223,338
Amortisation	**(5,725)**	(5,786)
Currency translation differences	**4,165**	(7,373)
Balance, end of year	**208,619**	210,179

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

13 Lease premium for land (Continued)

(a) Included in the net book value as of 31 December 2017 is an amount of HK$103,235,000 (2016: HK$102,051,000) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre.

(b) Included in the net book value as of 31 December 2017 is an amount of HK$13,531,000 (as at 31 December 2016: HK$13,935,000) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 31 December 2017, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate of the Shenzhen Building will be issued in the near future.

14 Property, plant and equipment, net

	Freehold land $'000	Building $'000 (Note a)	Leasehold improvements $'000	Furniture And fixtures $'000	Broadcast Operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construction in progress $'000	Total $'000
Year ended 31 December 2017										
Opening net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842
Additions	–	–	14,766	479	57,551	648	1,308	–	17,257	92,009
Disposals	–	–	(2,057)	(1)	(1,270)	(188)	(4,809)	–	–	(8,325)
Depreciation	–	(35,032)	(32,430)	(2,593)	(86,184)	(4,278)	(26,650)	(7,299)	–	(194,466)
Impairment	–	–	–	–	–	–	(4,367)	–	–	(4,367)
Transfers	–	–	–	–	12,557	–	2,809	–	(15,366)	–
Currency translation differences	301	23,099	1,780	167	4,670	84	4,281	–	199	34,581
Closing net book amount	12,019	567,618	163,455	6,097	185,556	6,118	94,733	40,819	3,859	1,080,274
At 31 December 2017										
Cost	12,019	715,835	500,971	29,597	927,456	45,111	264,610	88,871	3,859	2,588,329
Accumulated depreciation and impairment	–	(148,217)	(337,516)	(23,500)	(741,900)	(38,993)	(169,877)	(48,052)	–	(1,508,055)
Net book amount	12,019	567,618	163,455	6,097	185,556	6,118	94,733	40,819	3,859	1,080,274

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

14 Property, plant and equipment, net (Continued)

	Freehold land $'000	Building $'000 (Note a)	Leasehold improvements $'000	Furniture And fixtures $'000	Broadcast Operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construction in progress $'000	Total $'000
Year ended 31 December 2016										
Opening net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438
Additions	–	85	29,206	5,175	63,207	1,693	3,127	–	14,726	117,219
Disposals	–	–	(110)	(650)	(53)	(252)	(1,913)	–	–	(2,978)
Depreciation	–	(35,662)	(39,416)	(2,552)	(99,508)	(5,327)	(30,350)	(7,299)	–	(220,114)
Impairment	–	–	–	–	(104)	–	(7,607)	(12,100)	–	(19,811)
Transfers	–	–	(36)	–	36	–	12,893	–	(12,893)	–
Currency translation differences	(783)	(32,819)	(3,152)	(343)	(7,165)	(180)	(9,406)	–	(64)	(53,912)
Closing net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842
At 31 December 2016										
Cost	11,718	687,490	484,284	28,770	878,392	45,286	291,611	100,971	1,769	2,530,291
Accumulated depreciation and impairment	–	(107,939)	(302,888)	(20,725)	(680,160)	(35,434)	(169,450)	(52,853)	–	(1,369,449)
Net book amount	11,718	579,551	181,396	8,045	198,232	9,852	122,161	48,118	1,769	1,160,842

Depreciation expense of approximately HK$120,133,000 (2016: HK$137,157,000) has been charged in "Operating expenses", and approximately HK$74,333,000 (2016: HK$82,957,000) in "Selling, general and administrative expenses".

(a) Included in the net book value as of 31 December 2017 is an amount of HK$23,384,000 (2016: HK$24,084,000) which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. As at 31 December 2017, the cost was HK$30,848,000 (as at 31 December 2016: HK$30,848,000) with a net book value of HK$23,384,000 (as at 31 December 2016: HK$24,084,000). As at 31 December 2017, the Group was still in the process of obtaining the title certificate to the 8,500 square metres of the entitled areas through the payment of land premium and taxes (see Note 13(b)).

(b) As of 31 December 2017, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of noncompliance with laws and regulations is remote.

(c) Included in the net book value as of 31 December 2017 is an amount of HK$40,819,000 (2016: HK$48,118,000) which relates to the aircraft for operation use.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties

	2017 **$'000**	2016 $'000
Balance, beginning of year	**1,464,088**	1,547,854
Fair value gain	**44,868**	21,127
Currency translation differences	**61,458**	(104,893)
Balance, end of year	**1,570,414**	1,464,088

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of investment properties. Independent valuations of the investment properties were performed by the valuers, Vigers Appraisal and Consulting Limited and Lambert Smith Hampton, to determine the fair value of the properties as at 31 December 2017 (2016: Same). Fair value gain of approximately HK$44,868,000 (2016: HK$21,127,000) is included in the "Other gains, net" in the consolidated income statement.

(i) Fair value hierarchy

Description	**Fair value measurements at 31 December 2017 using significant unobservable inputs (Level 3) $'000**	Fair value measurements at 31 December 2016 using Significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Investment properties		
– Phoenix International Media Centre (the PRC)	**1,555,092**	1,452,332
– Commercial (UK)	**15,322**	11,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 and 2016 by independent professionally qualified valuers who hold a recognized relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Finance Department, headed by CFO, reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the Finance Department and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the Finance Department:

- Verifies all majors inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iii) Valuation techniques

For the investment property in UK with a carrying amount of HK$15,322,000 (2016: HK$11,756,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed at least once every six months by a qualified valuer using income capitalisation approach.

Income capitalisation approach is based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow profile. The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions including open market rents, appropriate capitalisation rate and reversionary income potential.

In addition, for the investment property in the PRC, which represents gross floor area of Phoenix International Media Centre held for rental income, has a carrying value of HK$1,555,092,000 (as at 31 December 2016: HK$1,452,332,000). The fair value of this investment property is determined using the information from the valuation performed by external professional valuer using the direct comparison method. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved. There were no changes in valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value at 31 Dec 2017 ($'000)**	**Valuation technique(s)**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Phoenix International Media Centre – The PRC	1,555,092	Direct comparison	Adjusted average price of HK$35,602 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	15,322	Income capitalisation approach	Estimated rental value of HK$4,048 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7%	The higher the reversionary yield, the lower the fair value

Description	Fair value at 31 Dec 2016 ($'000)	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC	1,452,332	Direct comparison	Adjusted average price of HK$33,250 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	11,756	Income capitalisation approach	Estimated rental value of HK$3,505 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15 Investment properties (Continued)

(a) Fair value measurement of investment properties (Continued)

(v) Quantitative sensitivity analysis

The major sources of estimation uncertainty of investment properties are mainly contributed by the Phoenix International Media Centre and the quantitative sensitivity analysis is shown as below:

	Adjusted average price per square metre 5% increase of decrease
	$'000
At 31 December 2017	**77,755**
At 31 December 2016	72,617

(b) Deferred tax

The Group's investment properties in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 35).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16 Intangible assets

	Goodwill $'000	Licences $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2017						
Opening net book amount	**8,733**	**11,254**	**–**	**2,065**	**3,820**	**25,872**
Additions	**–**	**9,355**	**–**	**–**	**–**	**9,355**
Amortisation	**–**	**(7,335)**	**–**	**–**	**(1,738)**	**(9,073)**
Currency translation differences	**–**	**786**	**–**	**–**	**20**	**806**
Closing net book amount	**8,733**	**14,060**	**–**	**2,065**	**2,102**	**26,960**
At 31 December 2017						
Cost	**8,733**	**23,883**	**1,924**	**2,065**	**10,035**	**46,640**
Accumulated amortisation and impairment	**–**	**(9,823)**	**(1,924)**	**–**	**(7,933)**	**(19,680)**
Net book amount	**8,733**	**14,060**	**–**	**2,065**	**2,102**	**26,960**
Year ended 31 December 2016						
Opening net book amount	8,733	–	–	2,705	5,069	16,507
Additions	–	11,341	–	–	350	11,691
Disposal	–	–	–	(640)	–	(640)
Amortisation	–	(87)	–	–	(1,576)	(1,663)
Currency translation differences	–	–	–	–	(23)	(23)
Closing net book amount	8,733	11,254	–	2,065	3,820	25,872
At 31 December 2016						
Cost	8,733	13,742	1,924	2,065	10,000	36,464
Accumulated amortisation and impairment	–	(2,488)	(1,924)	–	(6,180)	(10,592)
Net book amount	8,733	11,254	–	2,065	3,820	25,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16 Intangible assets (Continued)

Approximately amortisation of HK$7,335,000 (2016: HK$87,000) is included in "Operating expenses", HK$1,738,000 (2016: HK$1,576,000) is included in "Selling, general and administrative expenses" during the year.

An impairment review of the carrying amount of goodwill at 31 December 2017 was performed and no impairment provision is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual cash-generating units (CGUs) identified according to operating segment. The recoverable amount is based on a value in use calculation. There was no impairment charge recognised during the year (2016: Nil).

Certain of the Group's new media subsidiaries are in the process of applying for certain licenses for the operation of their businesses, including internet audio-visual program transmission license and internet news license.

17 Investments in joint ventures

	2017	2016
	$'000	$'000
Unlisted investments, net	**40,027**	24,159

The Group's investments in joint ventures are analysed as follows:

	2017	2016
	$'000	$'000
Unlisted investments, at cost	**79,367**	77,503
Capital contribution	**8,612**	2,612
Capital returned upon dissolution	**–**	(748)
Provision for impairment	**(4,326)**	(4,326)
Share of profits less losses of joint ventures	**(44,170)**	(50,315)
Currency translation difference	**544**	(567)
Unlisted investments, net	**40,027**	24,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Investments in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2017 were as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/registered capital
北京翡翠鳳凰文化投資諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 Beijing Simulcast Communication Co. Ltd. *	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting, and media marketing industry in the PRC	45%	RMB30,000,000
深圳市優悦文化傳播有限公司	The PRC, 15 December 2010	The PRC	Radio Broadcasting in the PRC	50%	RMB10,000,000
北京華寶鳳凰文化傳播有限公司 Huabao Phoenix Beijing Cultural Communication Co., Ltd.*	The PRC, 2 September 2013	The PRC	Provision of promotional related services	65%	RMB2,000,000
Phoenix Culture Property Investment Management Limited	Hong Kong, 19 June 2017	The PRC	Cultural development	40%	HK$10,000,000

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

17 Investments in joint ventures (Continued)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2017 were as follows: (Continued)

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/registered capital
北京鳳天優房地產經紀有限公司	The PRC, 4 March 2015	The PRC	Internet media	27.48%	RMB500,000
鳳凰金房信息諮詢(北京)有限公司	The PRC, 15 June 2015	The PRC	Internet media	27.48%	RMB1,000,000
北京鳳凰天博網絡技術有限公司 Beijing Fenghuang Tianbo Network Technology Co., Ltd.*	The PRC, 31 May 2013	The PRC	Internet media	27.48%	RMB1,960,000
Phoenix FM Limited	Cayman Islands, 29 August 2013	Cayman Islands	Internet media	54.96%	US$560
Phoenix FM (Hong Kong) Company Limited	Hong Kong, 24 October 2013	Hong Kong	Internet media	54.96%	HK$1
鳳凰愛聽(北京)信息技術有限公司 Phoenix FM (Beijing) Information Technology Co. Ltd. *	The PRC, 24 January 2014	The PRC	Internet media	54.96%	US$1,700,000
北京鳳鳴九天網絡技術有限公司 Beijing Fengming Jiutian Network Technology Co. Ltd. *	The PRC, 28 February 2014	The PRC	Internet media	54.96%	RMB1,000,000
深圳市鳳凰精彩網絡技術有限公司 Shenzhen Fenghuang Jingcai Network Technology Co. Ltd. *	The PRC, 1 April 2014	The PRC	Internet media	17.33%	RMB71,428,571
塔美數據科技(上海)有限公司	The PRC, 30 March 2015	The PRC	Data technology	51%	RMB2,000,000
廣州華師鳳凰文化教育信息技術有限公司	The PRC, 30 October 2012	The PRC	Education	36%	RMB10,000,000
北京華桐鳳凰科技發展有限公司	The PRC, 27 July 2016	The PRC	Technical consulting	30%	RMB1,000,000
縱橫文旅(上海)實業發展有限公司	The PRC, 9 October 2016	The PRC	Cultural development	40%	RMB60,000,000
International Chinese Medicine Cultural Festival Company Limited	Hong Kong, 11 January 2017	Hong Kong	Cultural development	50%	HK$10,000
雲南縱橫文旅文化發展有限公司	The PRC, 10 January 2017	The PRC	Tourism and cultural development	40%	RMB100,000,000
重慶鳳鳴文化傳媒有限公司	The PRC, 26 September 2017	The PRC	Programme production	65%	RMB10,000,000

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17 Investments in joint ventures (Continued)

(a) China Global Television Limited, in which the Group previously held 50% equity interests, was struck off on 1 May 2017.

(b) Aggregate information of joint venture that are individually immaterial

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2017	2016
	$'000	$'000
The Group's share of profits less losses and total comprehensive income	**6,145**	(4,906)
Aggregate carrying amount of the Group's interests in these joint ventures	**40,027**	24,159

(c) As at 31 December 2017, there are no commitments and contingent liabilities relating to the Group's interests in joint ventures (2016: Nil).

18 Investments in associates

The Group's investments in associates are analysed as follows:

	2017	2016
	$'000	$'000
Unlisted investments, at cost	**118,270**	37,566
Fair value of non-controlling interests retained	**4,184**	53,379
Capital contribution	**19,927**	26,113
Transfer (Note 26(b))	**–**	1,212
Capital return from an associate	**(13,927)**	–
Share of profits less losses of associates	**(48,482)**	(28,594)
Currency translation difference	**(1,469)**	(5,262)
Unlisted investments, net	**78,503**	84,414

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18 Investments in associates (Continued)

Details of the principal associates which are accounted for by the equity method of accounting as at 31 December 2017 are as follows:

Name	Place and date of incorporation	Place of Operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/registered capital
匯川創業投資股份有限公司 SinoPlus Venture Capital Corp.	Taiwan, 11 September 2013	Taiwan	Cultural development	30%	NTD20,000,000
杭州奇客科技有限公司 Hangzhou Qike Technology Co., Ltd.*	The PRC, 13 February 2015	The PRC	Management consulting	25.02%	RMB10,000,000
傳大鳳凰(北京)教育科技有限公司	The PRC, 2 August 2012	The PRC	Education	30%	RMB6,000,000
上海鳳凰衛視領客文化發展有限公司	The PRC, 3 December 2015	The PRC	Cultural development	42.75%	RMB10,526,300
Sky Fame Business Limited	British Virgin Islands, 8 August 2016	Hong Kong	Investment holding	25%	USD100
北京鳳凰理理它信息技術有限公司 Beijing Phoenix Li Li Ta Information Technology Co., Ltd.* ("LLT") (Note 26(b))	The PRC, 22 August 2014	The PRC	Provision of financing platforms	8.54%	RMB10,653,000
Sky Fame Co. Ltd.* 天著有限公司	Taiwan, 11 May 2017	Taiwan	Programme production	25%	NTD500,000
鳳凰鴻德(山東)教育科技有限公司	The PRC, 6 May 2016	The PRC	Education technology	40%	RMB10,000,000
廈門鷺海雲晟文化傳播有限公司	The PRC, 29 December 2016	The PRC	Cultural development	35%	RMB146,153.85
有蓉有房成都互聯網技術有限公司	The PRC, 19 April 2017	The PRC	Internet technology development	16.49%	RMB2,000,000
山西眾河大美互聯網技術有限公司	The PRC, 24 July 2017	The PRC	Internet technology development	16.49%	RMB1,500,000
鳳凰領客文化科技(北京)有限公司	The PRC, 8 March 2017	The PRC	Technology development	42.75%	RMB2,000,000

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18 Investments in associates (Continued)

Note:

(a) Aggregate information of associates that are individually immaterial

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017	2016
	$'000	$'000
The Group's share of profits less losses and total comprehensive income	**(19,888)**	(12,946)
Aggregate carrying amount of the Group's interests (including goodwill) in these associates	**78,503**	84,414

(b) As at 31 December 2017, there are no commitments and contingent liabilities relating to the Group's interests in associates (2016: Nil).

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19 Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2017:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	Hong Kong, limited liability company	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands, limited liability company	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Chinese News & Entertainment Limited	The United Kingdom, limited liability company	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Satellite Television Information Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	54.96%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
鳳凰影視(深圳)有限公司 Phoenix Film and Television (Shenzhen) Company Limited*	The PRC, limited liability company	The PRC	Ancillary services for programme production	60%	HK$10,000,000
Phoenix Satellite Television (U.S.), Inc.	United States, limited liability company	The United States of America	Provision of management and promotional related services	100%	US$1

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands, limited liability company	Taiwan	Programme production	100%	US$1
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
鳳凰在線(北京)信息技術有限公司 Fenghuang On-line (Beijing) Information Technology Company Limited*	The PRC, limited liability company	The PRC	Technical consulting	54.96%	US$31,850,000
Hong Kong Phoenix Books Culture Publishing Company Limited	Hong Kong, limited liability company	The PRC	Publication	100%	HK$1
Phoenix Metropolis Media Holdings Limited	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	HK$400
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	54.96%	US$2,643,353 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1
Green Lagoon Investments	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
鳳凰都市傳媒科技股份有限公司 Phoenix Metropolis Media Technology Co. Ltd.* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB154,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB22,072,992
鳳凰衛視都市傳媒(杭州)有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320
鳳凰都市傳媒(深圳)有限公司 Phoenix Metropolis Media (Shenzhen) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB35,000,000
鳳凰都市傳媒(廣州)有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited* (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited* (Note d)	The PRC, limited liability company	The PRC	Property holding	70%	RMB300,000,000
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Satellite television broadcasting	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	HK$10,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Radio Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Télévision (France) SAS	France, limited liability company	France	Satellite television broadcasting	100%	EUR500,000
北京天盈九州網絡技術有限公司 Beijing Tianying Jiuzhou games and others Network Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising, mobile value-add service, games and others	54.96%	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Mobile value-add services	54.96%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Advertising. Co. Ltd. (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	54.96%	RMB5,000,000
PSTV, LLC	United States, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd.*	The PRC, limited liability company	The PRC	Outdoor media business	100%	RMB76,922,334
鳳凰和信文化諮詢(北京)有限公司 Phoenix Cultural Consult (Beijing) Co., Ltd.*	The PRC, limited liability company	The PRC	Radio broadcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC, limited liability company	The PRC	Radio broadcasting	100%	RMB19,000,000
Phoenix (UK) Properties Company Limited	Hong Kong, limited liability company	Hong Kong	Properties holding	100%	HK$1

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Advertising	54.96%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1
Phoenix Research & Development Limited	British Virgin Islands, limited liability company	Hong Kong	Research and development	100%	US$1
Phoenix Industrial Development Centre Limited	Hong Kong, limited liability company	Hong Kong	Research and development	100%	HK$1
Phoenix Research Institute Limited	Hong Kong, company limited by guarantee	Hong Kong	Research and development	100%	–
Phoenix Culture Industrial Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Culture Creation Development Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Industrial Investment Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
北京鳳凰於天軟體技術有限公司 Beijing Fenghuang Yutian Software Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Software development	54.96%	RMB5,000,000
北京凰娛網絡技術有限公司 (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	54.96%	RMB10,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰衛視文化產業發展(上海)有限公司 Phoenix Culture Industrial Development (Shanghai) Co., Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB25,000,000
天津鳳凰銘道文化傳播有限公司 Tianjin Fenghuang Mingdao Culture Communication Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	54.96%	RMB2,000,000
上海億息網絡技術有限公司 Shanghai Yixi Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	54.96%	RMB100,000,000
北京看盤寶科技有限公司	The PRC, limited liability company	The PRC	Data technology	38.47%	RMB1,000,000
北京鳳凰融合投資有限公司 Beijing Fenghuang Convergence Investment Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Financial consulting services	54.96%	RMB400,000
上海喵球信息技術有限公司 Shanghai Miaoqiu Information Technology Co., Ltd.* (Note a(ii)) (Note c)	The PRC, limited liability company	The PRC	Technical consulting	41.22%	RMB1,000,000
成都歡遊天下網絡科技有限公司 Chengdu Huanyou Tianxia Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	54.96%	RMB500,000
Phoenix Overseas Infonews Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰飛揚(北京)新媒體信息技術有限公司 Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Advertising	54.96%	RMB100,000,000
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	54.96%	HK$1
Convergence Investment Co. Ltd	Cayman Islands, limited liability company	Cayman Islands	Investment consultancy	54.96%	US$0.01
フエニツクス•インフオニユース•ジャパン株式会社 Phoenix InfoNews Japan Limited*	Japan, limited liability company	Japan	Satellite television broadcasting	100%	JPY 9,000,000
上海鳳凰衛視藝術發展有限公司 Shanghai Phoenix General Nice Art Development Co. Ltd.*	The PRC, limited liability company	The PRC	Cultural development	100%	RMB100,000,000
Fread Limited (formerly known as "I Game Limited")	Cayman Islands, limited liability company	Cayman Islands	Investment holding	54.96%	US$0.01
I Game (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	54.96%	HK$1
北京塵寰科技有限公司 Beijing Chenhuan Technology Co., Ltd.* (Note a (ii))	The PRC, limited liability company	The PRC	Game	54.96%	RMB1,500,000
北京遊九州技術有限公司 Beijing Youjiuzhou Technology Co., Ltd.* (Note a (ii))	The PRC, limited liability company	The PRC	Game	54.96%	RMB1,500,000
北京歡遊天下科技有限公司 Beijing Huanyou Tianxia Technology Co., Ltd.* (Note a (ii))	The PRC, limited liability company	The PRC	Game	54.96%	RMB1,500,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
北京鳳凰博鋭軟件技術有限責任公司 Beijing Fenghuang Borui Software Technology Co. Ltd.*	The PRC, limited liability company	The PRC	Software development	54.96%	US$1,000,000
惬意游(北京)信息技術有限公司 Qie Yi You (Beijing) Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Game	54.96%	US$5,000,000
Phoenix Education Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix International Education Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	60%	HK$500,000
鳳翔(深圳)教育科技有限公司	The PRC, limited liability company	The PRC	Education	60%	RMB5,000,000
鳳凰新聯合(北京)教育科技有限公司 (Note a (ii))	The PRC, limited liability company	The PRC	Education	60%	RMB10,000,000
蘇州鳳凰新聯合科技有限公司 (Note a(ii))	The PRC, limited liability company	The PRC	Education	60%	RMB2,000,000
Phoenix Property Investment Holding Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Property Development Limited	Hong Kong, limited liability company	Hong Kong	Property development	100%	HK$1
Phoenix Cloud Technology Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰雲祥(北京)科技發展有限公司	The PRC, limited liability company	The PRC	Technical consulting	100%	RMB3,000,000

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19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Entertainment and Game Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Television Investment Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix New Life Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
北京鳳凰天翔遊戲科技有限公司	The PRC, limited liability company	The PRC	Investment holding	100%	RMB1,000,000
北京悠然暢思科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB10,000,000
Phoenix Hong Kong Television Limited	Hong Kong, limited liability company	Hong Kong	Dormant	100%	HK$1
北京鳳凰雲付信息技術有限公司	The PRC, limited liability company	The PRC	Technical consulting	54.96%	RMB5,000,000
鳳凰衛視文化演藝(上海)有限公司	The PRC, limited liability company	The PRC	Cultural development	100%	RMB2,000,000
鳳凰康寧(北京)健康產業投資有限公司	The PRC, limited liability company	The PRC	Investment management	60%	RMB5,000,000
Phoenix Exhibitions Company Limited	Hong Kong, limited liability company	Hong Kong	Exhibitions business	100%	HK$1
上海淘韻文化傳媒有限公司	The PRC, limited liability company	The PRC	Games development	55%	RMB1,120,000
上海隱娛網絡科技有限公司	The PRC, limited liability company	The PRC	Games development	100%	RMB1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Shanghai Fengyu Shixun Technology Co., Ltd.* 上海鳳娛視訊科技有限公司	The PRC, limited liability company	The PRC	Media technology development	54.96%	RMB50,000,000
北京鳳凰都市互動科技有限公司 (Note c)	The PRC, limited liability company	The PRC	Technical consulting	18.22%	RMB12,500,000
Beijing Fengyue Culture Technology Co., Ltd.* 北京鳳閱文化科技有限公司	The PRC, limited liability company	The PRC	Media technology development	54.96%	RMB10,000,000
Tianjin Fengying Hongda Culture Communication Co., Ltd.* 天津鳳盈宏達文化傳播有限公司	The PRC, limited liability company	The PRC	Cultural promotion	54.96%	RMB2,000,000
Tianjin Fengman Culture Media Co., Ltd.* 天津鳳漫文化傳媒有限公司	The PRC, limited liability company	The PRC	Cultural promotion	54.96%	RMB10,000,000
Beijing Fengge Advertising Co., Ltd.* 北京鳳格廣告有限公司	The PRC, limited liability company	The PRC	Advertising	54.96%	RMB10,000,000
Phoenix Culture Property Investment Limited 鳳凰文化置業有限公司	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HKD1
Beijing Fengying Culture Technology Co., Ltd.* 北京鳳影文化科技有限公司	The PRC, limited liability company	The PRC	Technology development	54.96%	RMB5,000,000
北京鳳凰都市品香文化有限公司	The PRC, limited liability company	The PRC	Cultural promotion	45.54%	RMB8,000,000

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰大造文化創意(北京)有限公司	The PRC, limited liability company	The PRC	Cultural promotion	82.35%	RMB2,000,000
Lilita Financial Investment Limited	British Virgin Islands, limited liability company	The PRC	Investment holding	100%	USD1
PHOENIX SATELLITE TELEVISION APP LIMITED	Hong Kong, limited liability company	The PRC	Sofeware application development	100%	HKD1
Tianjin Fengxiaoman Culture Media Co., Ltd.* 天津鳳小漫文化傳媒有限公司	The PRC, limited liability company	The PRC	Cultural promotion	54.96%	RMB10,000,000
鳳凰雲祥(北京)信息科技有限公司	The PRC, limited liability company	The PRC	Technology development	100%	RMB1,000,000
Fengyu Limited	Cayman Islands, limited liability company	Cayman Islands	Investment holding	54.96%	USD0.01
鳳格數據(天津)有限公司	The PRC, limited liability company	The PRC	Data technology	54.96%	RMB10,000,000
天津那是科技有限公司	The PRC, limited liability company	The PRC	Technology promotion	54.96%	RMB10,000,000
Fengyu (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	The PRC	Information Technology development	54.96%	HKD1

* *For identification only*

19 Subsidiaries (Continued)

(a) The following is a list of principal subsidiaries at 31 December 2017: (Continued)

Notes:

i. Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

ii. The Group does not have any equity interest in Beijing Tianying Jiuzhou Network Technology Co. Ltd., Yifeng Lianhe (Beijing) Technology Co. Ltd., Beijing Chenhuan Technology Co. Ltd., Beijing Youjiuzhou.Technology Co. Ltd., Beijing Huanyou Tianxia Technology Co. Ltd. and 鳳凰新聯合（北京）教育科技有限公司 and their respective subsidiaries (collectively referred to as "VIE entities"). However, through entering into various contractual arrangements with the registered equity holders of VIE entities, the Group has rights to variable returns from its involvement with these VIE entities and has the ability to affect those returns through its power over them and is considered to control them. Consequently, the Company regards VIE entities as indirect subsidiaries under HKFRS. The Group has included the financial position and results of these VIE entities in the consolidated financial statements from date of acquisition of control. The management of the Group is of the opinion that these contractual arrangements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable.

iii. Phoenix Hong Kong Television Limited became dormant since 12 October 2017.

(b) The Company has undertaken to provide the necessary financial resources to support the future operations of the subsidiaries within the Group. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2017.

(c) The Group has assessed the existence of control over these subsidiaries where it does not have more than 50% of the voting power but is able to govern the financial and operating policies of these subsidiaries by virtue of de-facto control.

(d) Cash and short-term deposits of HK$1,983,323,000 (2016: HK$1,808,765,000) held in the PRC are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests

The total non-controlling interests as at 31 December 2017 are HK$1,937,120,000 (2016: HK$1,603,304,000), of which HK$342,057,000 (2016: HK$290,972,000) is attributed to PMM Beijing and its subsidiaries (collectively referred to as "PMM Group"); HK$1,424,331,000 (2016: HK$1,157,623,000) is attributed to Phoenix New Media Limited ("PNM") and its subsidiaries (collectively referred to as "PNM Group"); and HK$173,861,000 (2016: HK$162,652,000) is attributed to Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"). The non-controlling interests in respect of other subsidiaries in which the Group holds less than 100% are not material.

Set out below are the summarised financial information for PMM Group, PNM Group and Phoenix Oriental that have non-controlling interests that are material to the Group. See Note 39 for transactions with non-controlling interests.

Summarised balance sheet

	PMM Group		PNM Group		Phoenix Oriental	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current assets	**619,416**	450,219	**2,614,910**	2,328,133	**46,340**	48,429
Current liabilities	**(275,468)**	(211,209)	**(1,282,659)**	(1,119,874)	**(1,016,321)**	(926,189)
Net current assets/(liabilities)	**343,948**	239,010	**1,332,251**	1,208,259	**(969,981)**	(877,760)
Non-current assets	**280,015**	292,827	**1,634,404**	1,227,511	**2,104,420**	2,007,308
Non-current liabilities	**–**	–	**(1,546)**	(1,485)	**(554,902)**	(587,375)
Net non-current assets	**280,015**	292,827	**1,632,858**	1,226,026	**1,549,518**	1,419,933
Net assets	**623,963**	531,837	**2,965,109**	2,434,285	**579,537**	542,173
Non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**(21,011)**	(7,574)	**7,436**	3,934	**–**	–
Net assets attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**602,952**	524,263	**2,972,545**	2,438,219	**579,537**	542,173
Non-controlling interests	**342,057**	290,972	**1,424,331**	1,157,623	**173,861**	162,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	PMM Group		PNM Group		Phoenix Oriental	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**717,472**	609,485	**1,739,253**	1,629,661	**36,484**	31,999
Profit/(loss) before income tax	**119,453**	66,628	**461,023**	385,800	**(5,933)**	(43,371)
Income tax expense	**(36,748)**	(21,072)	**(16,667)**	(16,730)	**(10,535)**	(5,173)
Profit/(loss) after income tax	**82,705**	45,556	**444,356**	369,070	**(16,468)**	(48,544)
Other comprehensive income	**–**	–	**6,239**	18,081	**–**	–
Profit/(loss) and total comprehensive income for the year	**82,705**	45,556	**450,595**	387,151	**(16,468)**	(48,544)
Total comprehensive income for the year attributable to non-controlling interests within PMM Group/PNM Group/Phoenix Oriental	**2,088**	909	**3,502**	2,807	**–**	–
Total comprehensive income for the year attributable to owners of PMM Group/PNM Group/Phoenix Oriental	**84,793**	46,465	**454,097**	389,958	**(16,468)**	(48,544)
Total comprehensive income allocated to non-controlling interests	**43,226**	23,828	**197,716**	169,519	**(4,940)**	(14,563)
Dividends paid to non-controlling interests	**18,931**	15,046	**–**	–	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19 Subsidiaries (Continued)

(e) Material non-controlling interests (Continued)

Summarised cash flows

	PMM Group		PNM Group		Phoenix Oriental	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from/(used in) operations	**86,768**	71,421	**249,054**	303,070	**11,652**	(52,018)
Income tax paid	**(27,701)**	(19,180)	**(24,264)**	(59,027)	**–**	–
Net cash generated from/(used in) operating activities	**59,067**	52,241	**224,790**	244,043	**11,652**	(52,018)
Net cash used in investing activities	**(132,059)**	(19,704)	**(11,387)**	(206,723)	**(7,567)**	(1,058)
Net cash (used in)/generated from financing activities	**(12,143)**	(19,142)	**(19,255)**	243,151	**(17,864)**	63,743
Net increase/(decrease) in cash and cash equivalents	**(85,135)**	13,395	**194,148**	280,471	**(13,779)**	10,667
Cash and cash equivalents at beginning of year	**172,563**	169,951	**1,252,688**	1,051,847	**41,735**	33,703
Net exchange gains/(losses) on cash and cash equivalents	**6,541**	(10,783)	**60,616**	(79,630)	**(2,742)**	(2,635)
Cash and cash equivalents at end of year	**93,969**	172,563	**1,507,452**	1,252,688	**25,214**	41,735

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Accounts receivable

	2017 **$'000**	2016 $'000
Counterparties without external credit rating		
Group 1	**61,860**	31,804
Group 2	**990,650**	825,683
	1,052,510	857,487

Other receivables

	2017 **$'000**	2016 $'000
Counterparties without external credit rating		
Group 1	**10,166**	26,916
Group 2	**605,874**	397,875
	616,040	424,791

Amounts due from related companies

	2017 **$'000**	2016 $'000
Counterparties without external credit rating		
Group 2	**333,610**	261,774

Group 1 – new customers/related parties (less than 6 months).

Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Credit quality of financial assets (Continued)

Cash and cash equivalents

Ratings by rating agencies of banks at which cash and deposits are held

	2017	2016
	$'000	$'000
AA –	**298,247**	365,083
A+	**4,530**	5,012
A	**29,738**	26,715
A–	**1,023,954**	1,105,004
BBB+	**805,364**	676,947
BBB	**215**	50,770
BBB-	**20,992**	–
Others (Note a)	**35,360**	53,693
	2,218,400	2,283,224

Note a: Others represented cash held at banks without credit rating. These banks are reputable banks with no defaults in the past.

Restricted cash

	2017	2016
	$'000	$'000
A+	**351**	322
A	**236**	226
	587	548

Available-for-sale financial assets

	2017	2016
	$'000	$'000
Others (Note b)	**725,395**	617,835

Note b: Balance represents investments in debt and equity securities of private companies which credit ratings are not available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20 Credit quality of financial assets (Continued)

Bank deposits

	2017 **$'000**	2016 $'000
A–	**2,356**	162,974
BBB+	**422,962**	225,294
BBB	**–**	6,398
BBB–	**45,652**	–
	470,970	394,666

Pledged bank deposits

	2017 **$'000**	2016 $'000
AA–	**781,666**	807,162

Financial assets at fair value through profit or loss

	2017 **$'000**	2016 $'000
AA–	**24,406**	19,003

None of the financial assets that are fully performing has been renegotiated during the year (2016: Nil).

21 Accounts receivable, net

	2017 **$'000**	2016 $'000
Accounts receivable	**1,052,510**	857,487
Less: Provision for impairment	**(112,270)**	(135,921)
	940,240	721,566

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 22). The Group generally requires its advertising customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 Accounts receivable, net (Continued)

At 31 December 2017, the ageing analysis of the accounts receivable from customers was as follows:

	2017	2016
	$'000	$'000
0–30 days	**316,041**	263,339
31–60 days	**199,573**	162,671
61–90 days	**131,337**	108,982
91–120 days	**85,604**	67,873
Over 120 days	**319,955**	254,622
	1,052,510	857,487
Less: Provision for impairment	**(112,270)**	(135,921)
	940,240	721,566

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

	2017	2016
	$'000	$'000
RMB	**1,031,560**	824,658
US$	**14,469**	28,995
UK pound	**4,940**	2,709
Other currencies	**1,541**	1,125
	1,052,510	857,487

Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017	2016
	$'000	$'000
At 1 January	**135,921**	103,532
Provision for impairment	**24,345**	66,587
Receivables written off during the year as uncollectible	**(19,486)**	(16,884)
Reversal of provision for impairment	**(33,567)**	(8,103)
Currency translation differences	**5,057**	(9,211)
At 31 December	**112,270**	135,921

The creation and release of provision for impaired accounts receivables of approximately HK$9,222,000 (2016: HK$58,484,000) have been included in "Selling, general and administrative expenses" in the consolidated income statement (Note 7). The Group has written off approximately HK$19,486,000 (2016: HK$16,884,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year because there is no expectation of recovering additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

21 Accounts receivable, net (Continued)

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

As at 31 December 2017, accounts receivable of approximately HK$281,323,000 (2016: HK$184,237,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2017	2016
	$'000	$'000
0–30 days	**61,661**	47,438
31–60 days	**49,542**	34,533
61–90 days	**25,566**	10,850
91–120 days	**33,698**	11,090
Over 120 days	**110,856**	80,326
	281,323	184,237

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. Refer to Note 3(d) for collaterals held by the Group.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22 Prepayments, deposits and other receivables

	2017 $'000	2016 $'000
Prepayment and deposits	**250,864**	186,547
Other receivables	**616,040**	424,791
	866,904	611,338
Less: Non-current portion	**(52,380)**	(46,008)
Current portion	**814,524**	565,330

Included in other receivables is an amount of approximately RMB366,824,000 (HK$432,203,000) (2016: RMB219,570,000 (HK$248,356,000)) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

Pursuant to a service agreement signed between Shenzhou and the Group dated 5 June 2015, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangements such as that of the Group with Shenzhou. Therefore the extent of the enforceability of the arrangement is still unclear. Although the management recognises that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB366,824,000 (HK$432,203,000) as at 31 December 2017 (2016: approximately RMB219,570,000 (HK$248,356,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22 Prepayments, deposits and other receivables (Continued)

As at 31 December 2017, other receivables of HK$616,040,000 (2016: HK$424,791,000) were past due but not impaired. These relate to Shenzhou and a number of independent debtors for whom there is no recent history of default. The ageing analysis of these other receivables is as follows:

	2017	2016
	$'000	$'000
Up to 90 days	**246,336**	181,944
91 to 180 days	**278,745**	138,420
Over 180 days	**90,959**	104,427
	616,040	424,791

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2017	2016
	$'000	$'000
RMB	**591,642**	416,433
US$	**2,439**	728
HK$	**18,636**	4,039
UK pound	**3,318**	2,658
Other currencies	**5**	933
	616,040	424,791

As at 31 December 2017, other receivables of HK$12,014,000 (2016: HK$11,535,000) were impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the prepayment, deposits and other receivables mentioned above. The Group does not hold any collateral as security.

23 Inventories

	2017	2016
	$'000	$'000
Decoder devices and satellite receivers	**1,888**	3,046
Merchandised goods	**5,605**	5,410
	7,493	8,456

The cost of inventories sold of approximately HK$3,020,000 (2016: HK$1,798,000) for the year ended 31 December 2017 is charged to the consolidated income statement.

24 Amounts due from related companies

	2017 $'000	2016 $'000
Amounts due from related companies		
– Joint ventures (Note a)	**20,704**	20,845
– An associate	**10,782**	17
– Other related companies	**302,124**	240,912
	333,610	261,774

(a) Amounts due from joint ventures

	2017 $'000	2016 $'000
Amounts due from joint ventures	**60,443**	43,256
Less: Provision for impairment	**(39,739)**	(22,411)
Amounts due from joint ventures, net	**20,704**	20,845

During the year ended 31 December 2017, the Group recorded a provision for impairment of HK$17,328,000 (2016: reversal of provision for impairment of HK$1,224,000), included in "other gains, net" after taking into account the present value of the estimated cash flows from the joint venture.

(b) At 31 December 2017, the ageing analysis of the amounts due from related companies, were as follows:

	2017 $'000	2016 $'000
Amounts due from related companies		
0–90 days	**52,850**	102,250
91–120 days	**11,985**	12,818
Over 120 days	**268,775**	146,706
	333,610	261,774

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

24 Amounts due from related companies (Continued)

(b) (Continued)

As at 31 December 2017, amounts due from related companies of HK$60,462,000 (2016: HK$159,524,000) were past due but not impaired.

	2017	2016
	$'000	$'000
Amounts due from related companies		
Up to 90 days	**18,382**	131,808
91–180 days	**19,048**	12,229
Over 180 days	**23,032**	15,487
	60,462	159,524

(c) The amount due from related companies are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$214,215,000 (2016: HK$168,427,000) due from Particle (see Note 42) which is unsecured, interest bearing at a range of 4.35% to 9% per annum and repayable within one year and trade receivables from related parties which are repayable in accordance with credit terms.

The carrying amounts of amounts due from related companies approximate their fair values as the impact of discounting is not significant.

The maximum exposure of amounts due from related companies to credit risk at the reporting date is the carrying value mentioned above.

(d) The carrying amounts of the Group's amounts due from related companies are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

25 Financial assets at fair value through profit or loss

	2017	2016
	$'000	$'000
Trading equity securities	**24,406**	19,003

As at 31 December 2017, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$24,406,000 (2016: HK$19,003,000).

Fair value gain on financial assets at fair value through profit or loss of HK$5,403,000 (2016: fair value gain of HK$107,000) are recognised in "Other gains, net" in the consolidated income statement (Note 6) and are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (Note 38).

These shares are held for trading. The fair value of these shares is based on the current bid prices in an active market. As at 31 December 2017, the closing price of the shares of HSBC listed in Hong Kong was HK$80.0 (2016: HK$62.3). If the price of the shares of HSBC increased/decreased by 20% with all other variables held constant, post-tax profit for the year would have been HK$4,881,000 (2016: HK$3,801,000) higher/lower.

26 Available-for-sale financial assets

	2017	2016
	$'000	$'000
Balance, beginning of year	**617,835**	391,412
Additions	**7,068**	134,730
Transfer (Note 18)	**–**	(1,212)
Fair value (loss)/gain	**(28,635)**	11,650
Interest income	**124,529**	81,024
Currency translation differences	**4,598**	231
Balance, end of year	**725,395**	617,835

Available-for-sale financial assets include the following:

	2017	2016
	$'000	$'000
Unlisted securities:		
– Preferred Shares – debt component	**705,712**	605,849
– Equity securities	**19,683**	11,986
	725,395	617,835

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

26 Available-for-sale financial assets (Continued)

(a) The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

	2017	2016
	$'000	$'000
RMB	**9,960**	2,262
US$	**715,435**	615,573
	725,395	617,835

(b) The Group held equity interest in LLT amounting to RMB1,000,000 (approximately HK$1,212,000) as at 31 December 2015. On 20 May 2016, Beijing Huibo Advertisement Media Limited Company (北京滙播廣告傳媒有限公司) ("Huibo"), an indirect wholly-owned subsidiary of the Company, Mr. He Xin, Mr. Zhang Zhen (together "Major Shareholders") and LLT entered into an investment agreement ("Agreement"), pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK$45,607,000) to subscribe for an additional of approximately 1.25% equity interest in the enlarged capital of LLT. At the same time, other investors also agreed to subscribe an aggregate of approximately 4.88% equity interest in LLT for RMB165,000,000 (approximately HK$197,324,000).

Under the Agreement, Huibo and other investors were granted both call options and put options ("Options") with the same exercise terms. The call option enables the holder to further acquire a maximum of 8.75% additional equity interest in LLT at RMB1 per share from the Major Shareholders in the event that LLT cannot achieve the expected transaction amounts or revenues for the years ending 31 December 2016 and 2017. The put option grants the holder the right to request LLT to repurchase those equity interest acquired by Huibo on or after the date of the Agreement for a consideration equivalent to the aggregate of the initial investment costs of the relevant equity interest and the return of investment based on an annual rate of return of 10% should LLT fail to list, or decide not to list, on a recognised stock exchange in or outside the PRC before 31 December 2020.

The aforesaid capital increase was completed during the year ended 31 December 2016 and the Group indirectly held approximately 8.54% effective equity interest in LLT. The directors of the Company considered that the Group now has significant influence over LLT through its representative on the board of directors of LLT, LLT's reliance on the branding of Phoenix, and the relationship of the controlling shareholder of LLT with the Group. The previously held equity interest amounting to HK$1,212,000 has therefore been reclassified from "available-for-sale financial assets" to "investment in associates". The total investment costs in LLT have been separated into (i) "investments in associates" which are accounted for using the equity method of accounting; and (ii) "derivative financial assets" for the call and put options (Note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

27 Bank deposits

	2017	2016
	$'000	$'000
Short-term deposits (Note a)	**470,970**	394,666

(a) Short-term bank deposits represents bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposits. The carrying amounts of bank deposits are denominated in the following currencies:

	2017	2016
	$'000	$'000
RMB	**350,368**	251,486
US$	**120,602**	143,180
	470,970	394,666

(b) During the year ended 31 December 2017, the Group recorded HK$67,983,000 interest income from bank deposits and pledged bank deposits (2016: HK$48,247,000).

28 Restricted cash

Restricted cash represents funds pledged to banks to secure banking guarantee and advance payment.

	2017	2016
	$'000	$'000
RMB	**236**	226
EURO	**351**	322
	587	548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

29 Cash and cash equivalents

	2017	2016
	$'000	$'000
Cash at bank and on hand	**952,755**	1,016,475
Short-term bank deposits	**1,267,273**	1,267,515
	2,220,028	2,283,990
Maximum exposure to credit risk	**2,218,400**	2,283,224
Denominated in:		
– HK$	**43,394**	50,877
– RMB	**1,449,069**	1,295,816
– US$	**716,478**	927,190
– Other currencies	**11,087**	10,107
	2,220,028	2,283,990

Cash and cash equivalents include cash at bank and on hand and short-term bank deposits with an original maturity of three months or less for the purpose of the consolidated statement of cash flows.

30 Bank facilities

As at 31 December 2017, the Group has undrawn banking facilities of HK$72,933,000 (2016: HK$325,610,000).

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

31 Share capital

	2017		2016	
	Number of shares	**Amount $'000**	Number of shares	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 January	**5,000,999,500**	**500,100**	5,000,993,500	500,099
Exercise of share options	**–**	**–**	6,000	1
Cancellation of repurchased shares	**(7,530,000)**	**(753)**	–	–
At 31 December	**4,993,469,500**	**499,347**	5,000,999,500	500,100

32 Share-based compensation

(a) Share options of the Company

The Company has several share option schemes under which it may grant options to employees of the Group (including executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in HK$ per share	**Options '000**	Average exercise price in HK$ per share	Options '000
At 1 January	**2.86**	**99,838**	2.86	102,034
Granted	**1.41**	**89,504**	–	–
Exercised	**–**	**–**	1.45	(6)
Lapsed and cancelled	**2.85**	**(100,788)**	2.92	(2,190)
At 31 December	**1.41**	**88,554**	2.86	99,838

As at 31 December 2017, out of the 88,554,000 (2016: 99,838,000) outstanding options, 250,000 (2016: 99,838,000) were exercisable. No options were exercised in 2017 (2016: 6,000 shares were exercised at an average exercise price of HK$1.45 each). The related weighted average share price at the time of exercise in 2016 was HK$1.83 per share.

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32 Share-based compensation (Continued)

(a) Share options of the Company (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share	Share options 2017 '000	2016 '000
25 March 2017	1.45	**–**	3,944
21 July 2019	1.17	**250**	250
8 March 2021	2.92	**–**	92,854
27 June 2021	3.06	**–**	2,790
20 March 2027	1.41	**88,304**	–
		88,554	99,838

(b) Share options of PNM

PNM has a share option scheme under which it may grant options to the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates ("PNM Share Option Scheme"). Options are granted and exercisable in accordance with terms set out in the PNM Share Option Scheme. PNM has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2016, PNM implemented an option exchange program from 21 October 2016 to 1 November 2016, whereby PNM's directors, employees and consultants exchanged options to purchase 21,011,951 Class A ordinary shares of PNM granted under PNM's 2008 Share Option Plan with various exercise prices greater than US$0.4823 per share (or US$3.8587 per ADS) for new options granted by PNM under the same plan with a new exercise price of US$0.4823 per share and a new vesting schedule that generally adds 12 months to each original vesting date, and the new options would vest no sooner than 1 May 2017. PNM accounted for the option exchange program as option modification and recognised the total incremental share-based compensation of US$1.7 million (approximately HK$13 million), of which US$0.9 million (approximately HK$7 million) (2016: US$0.4 million (approximately HK$3 million)) was recognised in the year ended 31 December 2017.

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32 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017 Average exercise price in US$ per share	**2017** Options '000	2016 Average exercise price in US$ per share	2016 Options '000
At 1 January	**0.42754**	**44,445**	0.80647	46,118
Granted	**0.42394**	**7,255**	0.47339	9,992
Lapsed	**0.50249**	**(7,320)**	0.93607	(10,006)
Exercised	**0.36793**	**(5,092)**	0.22112	(1,659)
At 31 December	**0.42064**	**39,288**	0.42754	44,445

As at 31 December 2017, out of the 39,288,000 (2016: 44,445,000) outstanding options, 20,644,000 (2016: 12,803,000) were exercisable. Options exercised in 2017 resulted in 5,092,000 (2016: 1,659,000) shares being issued at an average exercise price of US$0.36793 (2016: US$0.22112). The related weighted average share price at the time of exercise was US$0.77 (2016: US$0.46) per share.

Management estimates the fair values of options at the grant dates. The fair values of the options were determined using the Black-Scholes model. The key assumptions used in the valuation of the fair value of the options granted on respective dates are set out in the below table.

Date of grant	**Fair value of share options** (US$)	**Closing share price at grant date** (US$)	**Exercise price per share** (US$)	**Annual risk-free interest rate** (%)	**Expected life of options** (years)	**Expected volatility** (%)
15 March 2013	0.29895	0.5125	0.44593	1.54	6.16	58.10
23 May 2013	0.37349	0.61125	0.46565	1.60	6.16	57.60
1 October 2013	0.9615	1.40625	0.7867	1.87	6.16	58.20
8 October 2013	1.0998	1.5775	0.8249	1.88	6.16	58.20
10 December 2013	0.6609	1.1575	1.08443	1.71	6.16	58.40
14 March 2014	0.8336	1.405	1.31	1.88	6.16	62.20
4 June 2014	0.6626	1.23	1.2749	1.61	6.16	56.98
11 July 2014	0.6608	1.236	1.3035	1.60	6.16	56.38
11 October 2014	0.6608	1.093	0.8249	1.60	5.81	56.13
16 July 2015	0.4658	0.8825	0.9155	1.98	6.16	54.32
17 October 2016	0.2342	0.45125	0.4734	1.55	6.16	55.30
21 October 2016	0.1732–0.2193	0.4525	0.4823	1.30	3.91–5.39	50.67–55.65
14 September 2017	0.4648	0.7025	0.4149	1.88	6.16	55.99
24 November 2017	0.6294	0.9338	0.5344	1.92	6.16	57.06

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32 Share-based compensation (Continued)

(b) Share options of PNM (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in US$ per share	Share options 2017 '000	Share options 2016 '000
25 May 2018	0.03215	**3,870**	5,055
14 March 2023	0.445925	**4,162**	5,855
22 May 2023	0.46565	**2,900**	2,900
30 September 2023	0.7867	**6**	56
7 October 2023	0.4823	**2,125**	2,670
9 December 2023	0.4823	**1,188**	1,900
3 June 2024	0.4823	**163**	475
4 June 2024	0.4823	**50**	50
10 July 2024	0.4823	**7,282**	9,645
10 October 2024	0.4823	**162**	162
15 July 2025	0.91555	**–**	395
15 July 2025	0.4823	**2,938**	5,700
16 October 2026	0.4733875	**7,289**	9,582
13 September 2027	0.4149	**6,617**	–
23 November 2027	0.5344	**536**	–
		39,288	44,445

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33 Accounts payable, other payables and accruals

	2017	2016
	$'000	$'000
Accounts payable	**380,722**	354,187
Other payables and accruals	**955,898**	702,912
	1,336,620	1,057,099
Less: Non-financial liabilities	**(13,996)**	(14,355)
	1,322,624	1,042,744

At 31 December 2017, the ageing analysis of the accounts payable was as follows:

	2017	2016
	$'000	$'000
0–30 days	**240,858**	216,751
31–60 days	**17,393**	12,838
61–90 days	**10,275**	7,072
91–120 days	**7,276**	15,333
Over 120 days	**104,920**	102,193
	380,722	354,187

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:

	2017	2016
	$'000	$'000
HK$	**247,478**	209,807
RMB	**1,063,799**	823,222
US$	**6,703**	7,194
UK pound	**3,912**	1,983
Other currencies	**732**	538
	1,322,624	1,042,744

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34 Borrowings

	2017 **$'000**	2016 $'000
Secured bank borrowings (Note a)	**925,722**	981,759
Loans from non-controlling shareholders of subsidiaries (Note b)	**308,946**	285,704
	1,234,668	1,267,463

(a) Secured bank borrowings

	2017 **$'000**	2016 $'000
Non-current		
Long term secured bank borrowings	**329,215**	349,464
Current		
Current portion of long-term secured bank borrowings	**596,507**	632,295
Total secured bank borrowings	**925,722**	981,759

	2017 **$'000**	2016 $'000
The secured bank borrowings are repayable as follows:		
– within one year	**596,507**	632,295
– more than one year but not exceeding two years	**233,015**	206,089
– more than two years but not exceeding five years	**94,248**	141,388
– more than five years	**1,952**	1,987
	925,722	981,759

As at 31 December 2017, bank borrowings of HK$188,496,000 (2016: HK$209,254,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$103,000,000 (2016: HK$102,000,000), HK$412,000,000 (2016: HK$425,000,000) and HK$1,555,000,000 (2016: HK$1,452,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.48% (2016: 6.48%) annually.

A bank borrowing of HK$1,952,000 (as at 31 December 2016: HK$1,988,000) is secured by a property in the United States with carrying value of approximately HK$2,751,000 (as at 31 December 2016: HK$2,774,000) recorded in property, plant and equipment as at 31 December 2017. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59% annually (as at 31 December 2016: 3.59%) annually.

Bank borrowings of HK$735,273,000 (as at 31 December 2016: HK$770,517,000) are secured by bank deposits of HK$781,666,000 (as at 31 December 2016: HK$807,162,000) as at 31 December 2017 (Note 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

34 Borrowings (Continued)

(b) Loans from non-controlling shareholders of subsidiaries

	2017	2016
	$'000	$'000
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**251,252**	266,430
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**57,694**	19,274
Total loans from non-controlling shareholders of subsidiaries	**308,946**	285,704

The loans from non-controlling shareholders of subsidiaries are repayable as follows:

	2017	2016
	$'000	$'000
– Within one year	**57,694**	19,274
– More than one year but not exceeding two years	**77,163**	89,922
– More than two years but not exceeding five years	**155,239**	158,410
– More than five years	**18,850**	18,098
	308,946	285,704

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2016: same).

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

	Group			
	Carrying amount		**Fair value**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Secured bank borrowings	**925,722**	981,759	**925,722**	981,759
Loans from non-controlling shareholders of subsidiaries	**308,946**	285,704	**272,171**	239,481
	1,234,668	1,267,463	**1,197,893**	1,221,240

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.48% (2016: 6.48%) and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

35 Deferred income tax

Deferred income tax assets and deferred income tax liabilities on the consolidated balance sheet are analysed as follows:

	2017	2016
	$'000	$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(4,697)**	(7,819)
– Deferred income tax assets to be recovered within 12 months	**(72,228)**	(62,030)
	(76,925)	(69,849)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**185,976**	167,980
Deferred income tax liabilities, net	**109,051**	98,131

The gross movements in the deferred income tax liabilities, net are as follows:

	2017	2016
	$'000	$'000
At 1 January	**98,131**	112,964
Charged to/(credited) the consolidated income statement (Note 9)	**7,336**	(9,117)
Currency translation differences	**3,584**	(5,716)
At 31 December	**109,051**	98,131

Deferred taxation for the year ended 31 December 2017 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2016: 16.5%).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$171,966,000 (2016: HK$165,024,000) in respect of unrecognised tax losses of HK$1,042,220,000 as at 31 December 2017 (2016: HK$1,000,144,000) that can be carried forward against future taxable income. Approximately HK$914,047,000 (2016: HK$862,936,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2036.

As at 31 December 2017, deferred income tax liabilities of HK$34,109,000 (2016: HK$25,263,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of HK$412,105,000 (2016: HK$284,614,000) of certain PRC subsidiaries. Since the Directors consider the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future, no withholding tax has been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

35 Deferred income tax (Continued)

The movement in deferred tax income assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of assets		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**1,754**	4,257	**166,826**	160,523	**168,580**	164,780
(Credited)/charged to the consolidated income statement	**(1,376)**	(2,397)	**11,787**	17,509	**10,411**	15,112
Current translation differences	**62**	(106)	**6,915**	(11,206)	**6,977**	(11,312)
At 31 December	**440**	1,754	**185,528**	166,826	**185,968**	168,580

Deferred income tax assets

	Tax losses		Provisions		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(9,107)**	(9,107)	**(61,342)**	(42,709)	**(70,449)**	(51,816)
Credited to the consolidated income statement	**–**	–	**(3,075)**	(24,229)	**(3,075)**	(24,229)
Current translation differences	**–**	–	**(3,393)**	5,596	**(3,393)**	5,596
At 31 December	**(9,107)**	(9,107)	**(67,810)**	(61,342)	**(76,917)**	(70,449)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

36 Pledged bank deposits

As at 31 December 2017, two bank deposits of approximately HK$385,000,000 (as at 31 December 2016: US$ denominated bank deposits of approximately HK$406,072,000) bearing fixed interest rates ranging from 1.52% to 1.8% (as at 31 December 2016: 1.45% to 1.52%) per annum, are pledged to a bank to secure two bank borrowings of approximately HK$346,500,000 (as at 31 December 2016: HK$364,902,000) (Note 34(a)). The bank borrowings bear interests at HIBOR plus 0.45% per annum (as at 31 December 2016: LIBOR plus 0.4% and HIBOR plus 0.45% per annum). The Group has entered into two interest rate swap contracts with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation ranging from 1.4% to 1.66% per annum (as at 31 December 2016: 1.39% to 1.4% per annum). The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 31 December 2017, the fair values of the outstanding interest rate swap contracts of HK$990,000 and HK$698,000 (as at 31 December 2016: HK$1,582,000 and HK$220,000) have been recorded as derivative financial instruments under current liabilities and non-current liabilities respectively in the consolidated balance sheet (Note 37).

As at 31 December 2017, RMB denominated short-term bank deposits of approximately HK$396,666,000 (as at 31 December 2016: HK$401,090,000) bearing fixed interest rates at 2.10% per annum (as at 31 December 2016: 1.76% to 2.18% per annum) are pledged to a bank to secure RMB denominated long term bank borrowings of approximately HK$388,773,000 (as at 31 December 2016: HK$405,615,000) (Note 34). The bank borrowings bear interest rates ranging from 5.50% to 6.30% per annum.

The fair values of pledged bank deposits approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

37 Derivative financial instruments

	Asset		Liability	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Conversion options for convertible redeemable preferred shares	**721,002**	440,261	**–**	–
Conversion options for convertible loans	**19,513**	10,860	**–**	–
Options for long-term investment	**17,702**	17,812	**–**	–
Interest rate swap contracts	**–**	–	**(1,688)**	(1,802)
Total	**758,217**	468,933	**(1,688)**	(1,802)
Less: non-current portion				
– Conversion options for convertible redeemable preferred shares	**(721,002)**	(440,261)	**–**	–
– Interest rate swap contract	**–**	–	**698**	220
– Options for long term investment	**(17,702)**	(17,812)	**–**	–
Current portion				
– Interest rate swap contract	**–**	**–**	**(990)**	(1,582)
– Conversion options for convertible loans	**19,513**	10,860	**–**	–
	19,513	10,860	**(990)**	(1,582)
Balance, beginning of year	**468,933**	216,742	**(1,802)**	(3,228)
Addition	**–**	70,538	**–**	–
Fair value gain, net	**284,495**	181,579	**114**	1,426
Currency translation differences	**4,789**	74	**–**	–
Balance, end of year	**758,217**	468,933	**(1,688)**	(1,802)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

38 Notes to consolidated statement of cash flows

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2017	2016
	$'000	$'000
Profit before income tax	**610,432**	479,823
Amortisation of lease premium for land	**5,725**	5,786
Depreciation of property, plant and equipment	**194,466**	220,114
Amortisation of purchased programme and film rights	**12,256**	16,358
Amortisation of intangible assets	**9,073**	1,663
Share-based compensation expense	**55,476**	2,458
Provision for impairment of accounts receivable	**24,345**	66,587
Reversal of provision for impairment of accounts receivable	**(33,567)**	(8,103)
Provision for/(reversal of provision for) impairment of amounts due from joint ventures	**17,328**	(1,224)
Provision for impairment of amount due from an associate	**1,199**	–
Loss on disposal of property, plant and equipment	**4,905**	678
Gain on disposal of property, plant and equipment	**(5,517)**	(533)
Gain on deemed disposal of a subsidiary	**(5,007)**	(49,344)
Share of profits less losses of joint ventures	**(6,145)**	4,906
Share of profits less losses of associates	**19,888**	12,946
Fair value gain on investment properties	**(44,868)**	(21,127)
Interest income	**(195,465)**	(149,859)
Interest expense on bank borrowings	**44,306**	41,171
Investment income	**(7,442)**	(8,878)
Fair value gain on financial assets at fair value through profit or loss	**(5,403)**	(107)
Fair value gain on derivative financial instruments	**(284,609)**	(183,005)
Impairment of property, plant and equipment	**4,367**	19,811
(Increase)/decrease in other long-term assets	**(6,372)**	4,549
(Increase)/decrease in accounts receivable	**(209,452)**	63,630
(Increase)/decrease in prepayments, deposits and other receivables	**(249,194)**	408,156
Decrease in inventories	**963**	123
Decrease in amounts due from related companies	**13,254**	37,335
(Increase)/decrease in self-produced programmes	**(4,784)**	1,538
Increase/(decrease)in accounts payable, other payables and accruals	**279,521**	(36,665)
Increase/(decrease) in deferred income	**20,820**	(7,144)
Cash generated from operations	**260,499**	921,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

38 Notes to consolidated statement of cash flows (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Secured bank borrowings (current) $'000	Secured bank borrowings (non-current) $'000	Loans from non-controlling shareholders of a subsidiary (current) $'000	Loans from non-controlling shareholders of subsidiaries (non-current) $'000	Total $'000
At 1st January 2017	**632,295**	**349,464**	**19,274**	**266,430**	**1,267,463**
Cash flows					
– inflow from financing activities	**424,116**	**180,000**	**–**	**11,137**	**615,253**
– outflow from financing activities	**(685,806)**	**–**	**–**	**–**	**(685,806)**
Non-cash changes					
– currency translations	**17,368**	**8,285**	**801**	**11,304**	**37,758**
– reclassification	**208,534**	**(208,534)**	**37,619**	**(37,619)**	**–**
At 31st December 2017	**596,507**	**329,215**	**57,694**	**251,252**	**1,234,668**

(c) Disposal of subsidiaries

During the year ended 31 December 2017, the Group disposed a subsidiary (the "Disposal").

In August 2017, a new shareholder contributed additional capital ("Capital Contribution") in 廈門鷺海雲晟文化傳播有限公司 ("鷺海雲晟"), which was a non-wholly owned subsidiary of the Group. As a result, the Group's equity interest in 鷺海雲晟 was reduced from 51.15% to 35% upon completion of the Capital Contribution. As a result of the Capital Contribution, the control of 鷺海雲晟 by the Group was lost and only significant influence over 鷺海雲晟 is retained.

Upon the loss of control of 鷺海雲晟, the Group recognised a gain of approximately HK$5,007,000 in the consolidated income statement for the year ended 31 December 2017.

Summary regarding the Disposal completed during the year ended 31 December 2017 is as follows:

	2017 $'000
Total consideration satisfied by:	
Fair value of the retained interest	**4,184**
Net liabilities disposed of	**1,667**
Non-controlling interest derecognised	**(844)**
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	**5,007**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

38 Notes to consolidated statement of cash flows (Continued)

(c) Disposal of subsidiaries (Continued)

Aggregate net cash outflows arising from the Disposal during the year ended 31 December 2017:

	2017 **$'000**
Bank balances and cash disposed of	**(6,086)**

Summary regarding the disposal completed during the year ended 31 December 2016 is as follows:

	2016 $'000
Total consideration satisfied by:	
Fair value of the retained interest	53,379
Net assets disposed of	(4,035)
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	49,344

Aggregate net cash outflows arising from the disposal during the year ended 31 December 2016:

	2016 $'000
Bank balances and cash disposed of	(4,719)

39 Transactions with non-controlling interests

Deemed disposal of partial interest in PNM

During the year ended 31 December 2017, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 55.45% to 54.96%. The Group recognised a deemed net gain of approximately HK$4,731,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$25,776,000 for the year ended 31 December 2017.

During the year ended 31 December 2016, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 55.61% to 55.45%. The Group recognised a deemed net loss of approximately HK$2,233,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$7,775,000 for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

40 Commitments

(a) Service charges

As at 31 December 2017, the Group had committed service charges payable under various agreements as follows:

	2017 $'000	2016 $'000
Not later than one year	**23,558**	20,246
Later than one year and not later than five years	**28,228**	51,467
	51,786	71,713

(b) Operating leases

As at 31 December 2017, the Group had rental commitments under various operating leases. Total future minimum lease payments payable in respect of land and buildings and LED panels under non-cancellable operating leases are as follows:

	2017 $'000	2016 $'000
Not later than one year	**315,683**	280,655
Later than one year and not later than five years	**552,537**	427,288
Later than five years	**63,133**	117,914
	931,353	825,857

(c) Capital commitments

As at 31 December 2017, the Group had capital commitments as follows:

	2017 $'000	2016 $'000
Contracted but not provided for	**48,146**	5,626

(d) Other commitments

As at 31 December 2017, the Group had other operating commitments under various agreements as follows:

	2017 $'000	2016 $'000
Not later than one year	**152,575**	150,097
Later than one year and not later than five years	**26,248**	57,882
	178,823	207,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

41 Related party transactions

(i) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

	Note(s)	**2017** **$'000**	2016 $'000
Service charges received/receivable from the China Mobile Communication Group Co., Ltd. ("CMCC") and its subsidiaries (collectively "CMCC Group")	a,b	**127,934**	106,821
Service charges paid/payable to the CMCC Group	a,c	**55,480**	27,360
Advertising sales to the CMCC Group	a,d	**51,603**	39,647
License fee received/receivable from LLT	e,f	**185**	202
Advertising sales to LLT	e,g	**11,492**	49,979
Key management compensation	iii	**44,144**	38,352

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.69% of the issued share capital of the Company.

(b) Service charges received/receivable from CMCC Group related to wireless income which are charged based on terms specified in the agreements.

(c) Service charges paid/payable to CMCC Group related to video cost which are charged based on terms specified in the agreements.

(d) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels and airtime advertising on giant sized light-emitting diode panels operated by the Group.

(e) The controlling shareholder of LLT is a close family member of the Chairman of the Board and the Chief Executive Officer of the Company.

(f) The license fee received/receivable from LLT related to grant of license of domain name to LLT is charged based on terms specified in the agreement.

(g) Advertising sales to LLT are related to airtime advertising and programme sponsoring on channels and internet advertising sales based on terms specified in the agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

41 Related party transactions (Continued)

(ii) Year end balances arising from related party transactions as disclosed in Note 41(i) above were also disclosed in Note 24.

(iii) Key management compensation

	2017	2016
	$'000	$'000
Salaries	**22,467**	22,534
Discretionary bonuses	**1,146**	667
Housing allowance	**7,615**	7,615
Pension costs	**1,729**	1,730
Share-based compensation expense	**11,187**	5,806
	44,144	38,352

42 Investments in and loans to Particle

In 2014, PNM invested in a number of Series B Preferred Shares of Particle. In 2015, PNM further invested approximately HK$496,989,000 in Series C Preferred Shares of Particle.

On 28 January 2016, the board of directors of PNM have authorised to provide short-term unsecured loans to Particle in an aggregate principal amount of up to US$20 million (approximately HK$155,138,000) (the "Loans") at an interest rate of 4.35% per annum with a term of twelve months and convertible options of which PNM may, at its option, convert all or a portion of the Loans together with any unpaid interest into Series D1 Preferred Shares ("Conversion Options", such derivative components were accounted for as "derivative financial instruments") at any time prior to 31 December 2016, subject to the completion of issuance of Series D Preferred Shares by Particle. Particle has drawn down all of the US$20 million loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20 million into 23.6 million of Series D1 Preferred Shares. Similar to Series B and C, the investment in D1 Preferred Shares have similar features and were separated into the debt component of HK$122,744,000 which were classified as "available-for-sale financial assets" ("AFS") and "derivative financial instruments" ("DFI") of HK$38,171,000 (for the Conversion Option). The investments in AFS and DFI were subsequently measured at fair value at each reporting period based on an external valuation report. Under HKAS 39, changes in fair value of the DFI are recognised in the consolidated income statement whereas all changes in fair value of AFS are recognised directly in other comprehensive income except for the interest portion of the AFS calculated using the effective interest method which is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

42 Investments in and loans to Particle (Continued)

On 11 August 2016, PNM provided a short-term unsecured loan to Particle of US$14.8 million (approximately HK$114,802,000) (the "Convertible Loan") at an interest rate of 4.35% per annum with a term of six months and Conversion Options exercisable at any time on or before the maturity date of the Convertible Loan. The Convertible Loan represents compound financial instruments, which comprise (i) "loans and receivable" classified as "amounts due from related companies" and (ii) DFI. The "loans and receivable" were carried at amortised cost and the DFI was subsequently measured at fair value at each reporting period. In August 2017, the term of the convertible loan was extended to eighteen months to February 2018. On 22 January 2018, the term of the Convertible Loan was further extended to August 2018.

On 2 November 2016, PNM provided a short-term unsecured loan to Particle of RMB46.0 million (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months. In January 2017, the term of the loan was extended to twelve months to November 2017. In November 2017, the unsecured loan was repaid by Particle.

On 20 January 2017, PNM provided a short-term unsecured loan to Particle of RMB74.0 million (approximately HK$83,835,000), at an interest rate of 9.00% per annum with a term of twelve months. On 22 January 2018, the term of the loan was extended to July 2018.

During the year ended 31 December 2017, the Group recognised interest income of HK$11,595,000 (2016: HK$20,588,000) from the loans to Particle.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

43 Balance sheet and reserve movement of the Company

	2017	2016
	$'000	$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**148,719**	117,072
Current assets		
Cash and cash equivalents	**10,768**	15,218
Amounts due from subsidiaries, net	**1,970,011**	1,923,769
	1,980,779	1,938,987
Total assets	**2,129,498**	2,056,059
EQUITY		
Equity attributable to owner of the Company		
Share capital	**499,347**	500,100
Reserves (Note (a))	**1,081,957**	1,107,228
Total equity	**1,581,304**	1,607,328
LIABILITIES		
Current liabilities		
Other payables and accruals	**808**	600
Amounts due to subsidiary	**547,386**	448,131
Total liabilities	**548,194**	448,731
Total equity and liabilities	**2,129,498**	2,056,059

LIU Changle
Director

CHUI Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

43 Balance sheet and reserve movement of the Company (Continued)

Note (a)

Movement in the reserves of the Company during the year was as follows:

	Treasury share reserve $'000	Share premium $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Total $'000
At 31 December 2015	–	49,619	106,556	1,009,750	1,165,925
Exercise of share options	–	10	(2)	–	8
Lapse of share options	–	2,047	(2,047)	–	–
Buy back shares	(5,042)	(18)	–	–	(5,060)
Loss for the year	–	–	–	(3,635)	(3,635)
Dividends related to 2015	–	–	–	(50,010)	(50,010)
At 31 December 2016	**(5,042)**	**51,658**	**104,507**	**956,105**	**1,107,228**
Cancellation and lapse of share options	**–**	**106,328**	**(106,328)**	**–**	**–**
Buy back shares	**(4,512)**	**(30)**	**–**	**–**	**(4,542)**
Cancellation of buy back shares	**9,554**	**(8,801)**	**–**	**–**	**753**
Loss for the year	**–**	**–**	**–**	**(3,195)**	**(3,195)**
Dividends related to 2016	**–**	**–**	**–**	**(49,935)**	**(49,935)**
Share-based compensation expense	**–**	**–**	**31,648**	**–**	**31,648**
At 31 December 2017	**–**	**149,155**	**29,827**	**902,975**	**1,081,957**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Benefits and interest of directors

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2017 is set out below:

	As director (note (i))							
Name of Director	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Housing allowance	Employer contribution to a retirement benefit scheme	As management (note (ii))	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1. LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,447	9,447
2. CHUI Keung	–	–	–	–	–	–	4,501	4,501
3. WANG Ji Yan	–	–	–	–	–	–	3,850	3,850
4. SHA Yuejia	–	–	–	–	–	–	–	–
5. GONG Jianzhong	–	–	–	–	–	–	–	–
6. LEUNG Hok Lim	250	–	–	–	–	–	–	250
7. Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
8. FANG Fenglei	250	–	–	–	–	–	–	250
9. SUN Yanjun	–	–	–	–	–	–	–	–
10. LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–
11. HE Di	250	–	–	–	–	–	–	250
12. XIA Bing	–	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Benefits and interest of directors (Continued)

Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2016 is set out below:

	As director (note (i))							
Name of Director	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Housing allowance	Employer contribution to a retirement benefit scheme	As management (note (ii))	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1. LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	9,444	9,444
2. CHUI Keung	–	–	–	–	–	–	4,499	4,499
3. WANG Ji Yan	–	–	–	–	–	–	3,849	3,849
4. SHA Yuejia	–	–	–	–	–	–	–	–
5. LO Ka Shui (resigned on 1 Aug 2016)	145	–	–	–	–	–	–	145
6. GAO Nianshu (resigned on 19 Aug 2016)	–	–	–	–	–	–	–	–
7. GONG Jianzhong	–	–	–	–	–	–	–	–
8. LEUNG Hok Lim	250	–	–	–	–	–	–	250
9. Thaddeus Thomas BECZAK	250	–	–	–	–	–	–	250
10. FANG Fenglei	250	–	–	–	–	–	–	250
11. SUN Yanjun	–	–	–	–	–	–	–	–
12. LAU Wai Kei, Ricky	–	–	–	–	–	–	–	–
13. HE Di (appointed on 20 August 2016)	92	–	–	–	–	–	–	92
14. XIA Bing (appointed on 20 August 2016)	–	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

44 Benefits and interest of directors (Continued)

As of 31 December 2017, Mr. LIU Changle had outstanding share options of the Company to purchase 4,900,000 (2016: 4,900,000 shares at HK$2.92) shares at HK$1.41 per share, Mr. CHUI Keung had outstanding share options of the Company to purchase 3,900,000 (2016: 3,900,000 shares at HK$2.92) shares at HK$1.41 per share and Mr. Wang Ji Yan had outstanding share options of the Company to purchase 3,900,000 (2016: 3,900,000 shares at HK$2.92) shares at HK$1.41 per share. No options were exercised during 2017.

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes, housing allowance and value of the share option. The value of the share options granted to the directors of the Company under the share option schemes of the Company represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iii) No director waived or agreed to waive any emoluments during the year.

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2016: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: None).

45 Subsequent event

On 2 April 2018, PNM entered into a loan assignment agreement among PNM, Particle and Long De Cheng Zhang Culture Communication (Tianjin) Co., Ltd. ("Long De"), pursuant to which PNM would assign to Long De or its designated affiliates PNM's rights on Convertible Loan and Long De or its affiliates will pay PNM an assignment price of approximately US$17.0 million.

FINANCIAL SUMMARY

Consolidated results

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000	Year ended 31 December 2015 $'000	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Revenue	**3,957,487**	3,798,273	4,200,895	4,618,365	4,806,458
Operating expenses	**(2,817,858)**	(2,678,183)	(2,973,897)	(2,918,222)	(2,849,913)
Selling, general and administrative expenses	**(1,011,700)**	(938,960)	(912,528)	(798,362)	(695,029)
Other gains/(losses) and share of results of joint ventures and associates	**482,503**	298,693	(22,763)	260,001	194,903
Profit before income tax and non-controlling interests	**610,432**	479,823	291,707	1,161,782	1,456,419
Income tax expense	**(89,579)**	(81,809)	(139,876)	(251,322)	(293,391)
Profit before non-controlling interests	**520,853**	398,014	151,831	910,460	1,163,028
Non-controlling interests	**(234,605)**	(167,499)	(41,482)	(246,750)	(230,634)
Profit attributable to owners of the Company	**286,248**	230,515	110,349	663,710	932,394

Consolidated assets and liabilities

	As at 31 December				
	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Total assets	**10,244,268**	9,268,474	9,561,818	9,540,824	8,408,098
Total liabilities	**(2,931,680)**	(2,639,699)	(3,017,450)	(2,570,074)	(1,869,557)
Non-controlling interests	**(1,937,120)**	(1,603,304)	(1,530,008)	(1,723,634)	(1,591,384)
Equity attributable to owners to the Company	**5,375,468**	5,025,471	5,014,360	5,247,116	4,947,157

PHOENIX
Media Investment (Holdings) Limited
鳳凰衛視投資(控股)有限公司

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