Phoenix Satellite Television Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2008

The Cultural Interflow between East and West

Interim Report 2009

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Chairman's Statement

Financial Summary

- The Phoenix Group turned in a steady performance during the six months ended 30 June 2009.

- Revenue for this six-month period was approximately HK$692,346,000, which represented a 2.5% increase over the same period last year.

- While the results for this half year were less impressive than for the same period last year, given the impact of the global financial crisis the Group's capacity to achieve a positive outcome underscores that its business model is well based and that its core business operates in a competitive and efficient manner.

Financial Review

The Group's revenue for the six months ended 30 June 2009 was approximately HK$692,346,000, which represented an increase of 2.5% when compared to the same period last year, which demonstrates that the core business has remained solid. Total operating costs increased by 8.1% to approximately HK$577,239,000. The upward movement in operating costs was mainly due to the increase in staff costs, depreciation and general administrative costs due to the relocation of the Group's headquarters from Hunghom to Taipo in Hong Kong's New Territories. Additional costs were incurred with operations being conducted simultaneously at both locations to ensure uninterrupted broadcasts in the first half, and costs are expected to become steadier in the second half of 2009. Costs were also increased by the Group's investment in the development of the outdoor media business. In fact, the Group is developing its outdoor media business at some of the best locations in major cities in mainland China, but so far revenue recovery has lagged behind capital expenditure due to complicated approval procedures. The performance of the outdoor media business is expected to improve in the second half of 2009.

The Group's profit from operations for the six months ended 30 June 2009 was approximately HK$115,107,000, which represented a decrease of 18.5% over same period last year. The decrease in operating profit was mainly due to the increase in operating costs. During the six months ended 30 June 2009, other income mainly comprised a fair value gain of approximately HK$32,997,000 which was recognised for the investment property under construction. The additional income derived from the appreciation of the Renminbi during the six months ended 30 June 2009 was approximately HK$1,520,000, which represented a significant decrease from approximately HK$23,428,000 of additional income during the same period last year. During the first half year of 2008, the Group also recognised a gain on investments in two subsidiaries, with the Group's interest in the net fair value of the subsidiaries exceeding the cost of the investments to the extent of HK$19,646,000.

The chart presented below compares the Group's performance for the current period and the same period last year respectively:

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Phoenix Chinese Channel	**467,434**	432,117
Phoenix InfoNews Channel	**99,880**	131,374
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others	**51,571**	58,599
New media	**29,418**	27,486
Outdoor media	**19,241**	–
Other businesses	**24,802**	25,601
Group's total revenue	**692,346**	675,177
Operating costs	**(577,239)**	(533,859)
Profit from operations	**115,107**	141,318
Other income – net	**35,854**	57,150
Profit before share of results of associate, jointly controlled entities, income tax and minority interests	**150,961**	198,468
Share of losses of jointly controlled entities and associate	**(2,418)**	(920)
Income tax expenses	**(35,059)**	(28,232)
Minority interest	**(3,185)**	3,848
Profit attributable to equity holders of the Company	**110,299**	173,164
Earnings per share, Hong Kong cents	**2.23**	3.50

Chairman's Statement

Comments on Segmental Information in the Notes to the Condensed Financial Statements

	Six months ended 30 June 2009				
	External sales HK$'000	Inter-segment sales HK$'000	Inter-segment elimination HK$'000	Total revenue HK$'000	Segment results HK$'000
Phoenix Chinese Channel	467,434	–	–	467,434	237,106
Phoenix InfoNews Channel	99,880	–	–	99,880	(11,181)
Other channels	51,571	2,769	(2,769)	51,571	(8,255)
Programme production and ancillary services	–	13,288	(13,288)	–	(1,021)
New media	29,418	–	–	29,418	4,976
Outdoor media	19,241	–	–	19,241	(22,723)
Real estate	–	–	–	–	29,935
Other businesses	24,802	–	–	24,802	3,062
Group's total revenue and segment results				692,346	231,899
Unallocated income					2,575
Unallocated expenses					(83,513)
Profit before share of results of associate, jointly controlled entities, income tax and minority interests					150,961

Revenues from television broadcasting, including both advertising and subscription revenues, continued to be the main income source of the Group, and amounted to approximately HK$618,885,000 (six months ended 30 June 2008: HK$622,090,000) and accounted for 89.4% of the Group's revenues for the six months ended 30 June 2009.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 67.5% of the Group's total revenue for the six months ended 30 June 2009 and showed an increase of 8.2% compared with same period last year. Phoenix InfoNews Channel's ("InfoNews") revenue accounted for 14.4% of the Group's total revenue for the period, and decreased by 24.0% to approximately HK$99,880,000.

The cumulative revenues of other channels including Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, decreased by 12.0% when compared with the same period last year to approximately HK$51,571,000. The overall segmental result for television broadcasting recorded a profit of approximately HK$217,670,000 for the six months ended 30 June 2009. Compared to a profit of HK$212,598,000 in the same period last year, this result represented an increase of 2.4%. Revenues from intra-group programme production and ancillary services were approximately HK$13,288,000 for the six months ended 30 June 2009, which signified a decrease of 8.4% when compared with the same period last year. As a consequence, the segmental result of programme production and ancillary services recorded a loss of approximately HK$1,021,000 for the six months period ended 30 June 2009 (six months ended 30 June 2008 profit : HK$239,000).

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunications networks, contribute to raising the Group's profile as a television broadcaster. The income that Phoenix derives from the new media business takes the form of payment for contracted technical services that Phoenix currently provides to a cooperation partner. This revenue increased to approximately HK$29,418,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: HK$27,486,000). As a consequence, the segmental result of the new media operations recorded a profit of approximately HK$4,976,000 for the reported period (six months ended 30 June 2008: HK$10,092,000).

During the six months ended 30 June 2009, the revenue and segmental loss from outdoor media business amounted to approximately HK$19,241,000 (six months ended 30 June 2008: Nil) and HK$22,723,000 (six months ended 30 June 2008: HK$10,608,000) respectively. The segmental gain from real estate amounted to approximately HK$29,935,000 (six months ended 30 June 2008: loss HK$232,000) mainly consisting of a fair value gain of approximately HK$32,997,000 which was recognized for the investment property under construction. The segmental profit from other business decreased to approximately HK$3,062,000 (six month ended 30 June 2008: HK$5,319,000).

Business Overview and Prospects

During the first half of 2009, the Group was operating in an economic environment that was seriously influenced by the global financial crisis. While the mainland economy has not gone into recession, it nonetheless has been negatively influenced by international economic trends, which have also had a negative impact on the Hong Kong economy. But although profit for this period has shrunk by some 36% compared to the same period last year due to increase in cost as previously explained, the Group's revenue over the past six months has demonstrated that even in the face of extremely difficult economic circumstances the Phoenix model is commercially extremely viable.

Much of this success is a consequence of the fact that the main Phoenix channels deliver programming that has great appeal to the Chinese television audience, combining modern and innovative entertainment with comprehensive and objective news about international political and economic developments. While InfoNews's income was reduced after the significant increase in income it generated in the same period last year, this negative development coincided with the growing impact of the global financial crisis. InfoNews covered a series of dramatic international news stories, from the deadly bushfires in Australia through the cancellation of the ASEAN Regional Forum in Thailand following clashes between the Thai military and the "Red Shirt" protesters to the demonstrations that followed the elections in Iran, and clearly contributes to the Phoenix brand name. As the international economy recovers momentum InfoNews's income should also recover.

The Group's US and UK-based channels also turned in an improved performance, for while their gross income was slightly reduced compared to the same period last year, their losses were reduced by over half, which clearly indicates that these components of the core television broadcasting business are moving towards a point where they can make a positive financial contribution to the Group's performance.

Not only has the Group succeeded in maintaining the success of its core television business, but it has also continued to broaden its business base, developing the new media business, which has made Phoenix programming much more widely available on an IPTV basis, and the outdoor advertising LED project.

The Group's performance in this difficult economic environment, which occurred just at the time when the Group was committed to additional one-off expenses as a consequence of the relocation of the corporate headquarters, demonstrates that the Group's prospects remain extremely positive. Not only has the Group been able to continue to make a profit during one of the most serious economic crises the world has faced in the last five decades, but the Group has also been able to maintain the level of operations it was undertaking before the economic crisis, and also find the necessary funding to be able to move into a new state-of-the-art headquarters. In short, the Group's prospects are clearly very bright.

Management Discussion and Analysis

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2009.

Relocation of Company Headquarters

In March 2009 the Company relocated its headquarters to Taipo in the New Territories. The new headquarters accommodate more highly advanced and modernized production facilities, and provide a greater choice of studios. The new headquarters facilitate more efficient production of programmes by the Group and have already enhanced its capability to deliver a more ambitious range of programming effects. Furthermore the new headquarters have sufficient space for the future expansion of the Group's business and operational activities in Hong Kong without any risk of being adversely affected by future upward rental movements. The Directors consider that the new headquarters in Taipo will improve the Group's competitiveness and maintain its position as a leading satellite television operator broadcasting into the PRC.

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 30 June 2009 were similar to those of the Group as at 30 June 2008. The aggregate outstanding borrowings of the Group as at 30 June 2009 were approximately HK$878,000, representing current accounts with related companies which were unsecured and non-interest bearing (as at 30 June 2008: HK$3,811,000). Such fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to equity attributable to equity holders of the Company, was 27.2% as at 30 June 2009 (as at 30 June 2008: 27.9%). Accordingly, the financial position of the Group has remained very liquid. As most of the Group's monetary assets are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and Taiwan dollars, the group manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures.

Charge on Assets

As at 30 June 2009, deposits of approximately HK$3,029,000 (as at 30 June 2008: HK$3,924,000) were pledged with a bank to secure a guarantee given to the landlord of a subsidiary. Other than the above, the Group did not have any charge on its assets as at 30 June 2009 and 30 June 2008.

Capital Structure

During the six months ended 30 June 2009, there is no change in the Company's share capital. As at 30 June 2009, the Group's operations were financed mainly by shareholders' equity.

Staff

As at 30 June 2009, the Group employed 1,428 full-time staff (30 June 2008: 854), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and an employee share option scheme. Staff costs for the six months ended 30 June 2009 increased to approximately HK$187,981,000 (six months ended 30 June 2008: HK$166,677,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

Significant Investments Held

As at 30 June 2009, the Company invested in listed and unlisted security investments with an estimated fair market value of approximately HK$46,986,000 (six months ended 30 June 2008: HK$62,857,000).

Save as disclosed above, the Group has not held any significant investment for the six months ended 30 June 2009.

Future Plans for Material Investments and Expected Source of Funding

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

As at 30 June 2009, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

Contingent Liabilities

Other than disclosed in note 19 of the financial statements, the Group had no material contingent liabilities as at 30 June 2009 and 30 June 2008.

Subsequent Events

On 27 July 2009, 鳳凰東方（北京）置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited), successfully obtained a bank loan from Bank of Beijing to fund the construction of the Phoenix building in Chaoyang Park. The total principal of the loan is RMB500,000,000, which is expected to be drawn down from July 2009 to July 2012. The loan bears interest at a floating rate, determined by the People's Bank of China, and shall be repaid in full by the end of 2012.

The land in Chaoyang Park, with carrying value of HK$267,009,000 as at 30 June 2009, has been pledged as security for the bank loan.

On 22 July 2009, the Company granted 5,254,000 share options of HK$0.10 each to employees of the Group under the share option scheme adopted by the Company on 19 June 2009. Exercise price of the share options granted is HK$1.17 per share which represents the closing price of the Company's shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited on the grant date.

On 31 July 2009, Phoenix New Media Limited ("PNM"), a subsidiary of the Company, granted 10,584,900 share options to employees of its subsidiary under the PNM share option scheme at an exercise price of US$0.03215 per share.

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2009, together with the comparative figures for the corresponding period and relevant date in 2008.

Directors' and Chief Executive's Interests in Securities

As at 30 June 2009, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such Director or chief executive was 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

(1) Shares

	Number of ordinary shares held				
Name	**Personal/ other interest**	**Corporate interest**	**Total number of shares**	**Position**	**Percentage of shareholding**
LIU Changle (Note 1)	–	1,854,000,000	1,854,000,000	Long	37.42%
LO Ka Shui (Note 2)	4,630,000	–	4,630,000	Long	0.09%

Notes:

1 As at 30 June 2009, Mr. LIU Changle was the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.42% of the issued share capital of the Company.

2 As at 30 June 2009, Dr. LO Ka Shui was the beneficial owner of 500,000 shares while 4,130,000 shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

(2) Share options

Name of Director	**Date of grant**	**Exercise period**	**Exercise price per share** HK$	**Underlying shares pursuant to the share options as at 30 June 2009**
LIU Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000
CHUI Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000
WANG Ji Yan	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000

Save as disclosed above, so far as the Directors were aware, as at 30 June 2009, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (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 Director or chief executive was 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.

Share Option Schemes

(A) Share option schemes of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company ("Shareholders"), namely Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme.

On 19 June 2009, a share option scheme of the Company was approved by the Shareholders ("New Share Option Scheme").

(1) Pre-IPO Share Option Scheme

The details of share options granted by the Company under the Pre-IPO Share Option Scheme to the Directors of the Company and 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 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
3 Executive Directors:								
LIU Changle	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI Keung	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
WANG Ji Yan	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
50 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	14,910,000	(532,000)	–	14,378,000
Total:								
53 employees					28,210,000	(532,000)	–	27,678,000

Save as disclosed above, no other option had been granted, lapsed or cancelled during the period.

During the six months ended 30 June 2009, no option has been granted to the Directors, chief executives or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Pre-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the Pre-IPO Share Option Scheme.

(2) Post-IPO Share Option Scheme

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:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1 January 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
1 employee	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	500,000	–	–	500,000
14 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	6,210,000	–	–	6,210,000
2 employees	20 December 2002	20 December 2002 to 19 December 2006	20 December 2003 to 19 December 2012	0.79	1,000,000	–	–	1,000,000
30 employees	26 March 2007	26 March 2007 to 25 March 2011	26 March 2008 to 25 March 2017	1.45	12,156,000	(500,000)	–	11,656,000
Total: 47 employees					19,866,000	(500,000)	–	19,366,000

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

During the six months ended 30 June 2009, no option had been granted to the Directors, chief executives or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Post-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the Post-IPO Share Option Scheme.

(3) New Share Option Scheme

During the six months ended 30 June 2009, no option had been granted, exercised or cancelled under the New Share Option Scheme.

(B) Share option schemes of the subsidiaries of the Company

(i) PHOENIXi Plan

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan").

As at 30 June 2009, no options had been granted under the PHOENIXi Plan. PHOENIXi is currently undergoing a liquidation process.

(ii) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme of Phoenix New Media Limited ("PNM Share Option Scheme"), a wholly-owned subsidiary of the Company.

During the six months ended 30 June 2009, no options had been granted under the PNM Share Option Scheme. The movement of the PNM Share Option Scheme during the period is as follows:

				Number of share options			
Grantees	Date of grant	Exercise period	Exercise price per share US$	Balance as at 1 January 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
LIU Shuang (Note)	2008.07.04	2008.07.04 – 2018.05.25	0.03215	12,000,000	–	–	12,000,000
LI Ya (Note)	2008.07.04	2008.07.04 – 2018.05.25	0.03215	8,800,000	–	–	8,800,000
LIU Kexin (Note)	2008.07.04	2008.07.04 – 2018.05.25	0.03215	6,000,000	–	–	6,000,000
WANG Cheng (Note)	2008.07.04	2008.07.04 – 2018.05.25	0.03215	5,200,000	(3,960,000)	(1,240,000)	–
WU Zheng (Note)	2008.07.04	2008.07.04 – 2018.05.25	0.03215	4,000,000	–	–	4,000,000
Other staff of Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line")	2008.07.04	2008.07.04 – 2018.05.25	0.03215	23,248,500	(872,500)	(15,000)	22,361,000
		2008.07.09 – 2018.05.25		6,000	–	–	6,000
		2008.07.13 – 2018.05.25		1,200	(1,200)	–	–
		2008.07.17 – 2018.05.25		24,000	–	(16,500)	7,500
		2008.07.20 – 2018.05.25		4,000	(4,000)	–	–
		2008.07.24 – 2018.05.25		30,000	–	–	30,000
		2008.07.26 – 2018.05.25		20,000	(20,000)	–	–
		2008.07.31 – 2018.05.25		1,200	–	–	1,200
		2008.08.02 – 2018.05.25		13,000	–	–	13,000
		2008.08.06 – 2018.05.25		12,000	–	–	12,000
		2008.08.13 – 2018.05.25		6,000	–	–	6,000
		2008.08.20 – 2018.05.25		18,000	–	–	18,000
		2008.08.28 – 2018.05.25		6,000	–	–	6,000
		2008.09.03 – 2018.05.25		37,400	–	–	37,400
		2008.09.04 – 2018.05.25		32,000	–	–	32,000
		2008.09.06 – 2018.05.25		9,600	–	–	9,600

Grantees	Date of grant	Exercise period	Exercise price per share US$	Number of share options: Balance as at 1 January 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
Other staff of Fenghuang On-line	2008.07.04	2008.09.10 – 2018.05.25		2,406,000	–	(2,250)	2,403,750
		2008.09.13 – 2018.05.25		6,000	–	–	6,000
		2008.09.17 – 2018.05.25		54,000	–	–	54,000
		2008.09.20 – 2018.05.25		4,000	–	–	4,000
		2008.09.24 – 2018.05.25		24,000	–	–	24,000
		2008.09.27 – 2018.05.25		6,000	–	–	6,000
		2008.10.08 – 2018.05.25		20,000	–	–	20,000
		2008.10.10 – 2018.05.25		16,000	–	–	16,000
		2008.10.15 – 2018.05.25		11,000	–	–	11,000
		2008.10.22 – 2018.05.25		24,000	–	–	24,000
		2008.10.23 – 2018.05.25		18,000	–	–	18,000
		2008.10.24 – 2018.05.25		24,000	–	–	24,000
		2008.10.29 – 2018.05.25		6,000	–	–	6,000
		2008.10.31 – 2018.05.25		6,000	–	–	6,000
		2008.11.07 – 2018.05.25		6,000	(6,000)	–	–
		2008.11.19 – 2018.05.25		32,000	–	–	32,000
		2008.12.03 – 2018.05.25		62,000	–	–	62,000
		2008.12.10 – 2018.05.25		12,000	–	–	12,000
		2008.12.12 – 2018.05.25		6,000	–	–	6,000
		2008.12.17 – 2018.05.25		44,000	–	–	44,000
		2008.12.21 – 2018.05.25		1,200	–	–	1,200
		2008.12.24 – 2018.05.25		6,000	–	–	6,000
		2008.12.26 – 2018.05.25		25,000	–	–	25,000
		2008.12.29 – 2018.05.25		150,000	–	–	150,000
		2009.01.02 – 2018.05.25		100,000	–	–	100,000
		2009.01.04 – 2018.05.25		3,000	–	–	3,000

Grantees	Date of grant	Exercise period	Exercise price per share US$	Number of share options: Balance as at 1 January 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
Other staff of Fenghuang On-line	2008.07.04	2009.01.06 – 2018.05.25		12,000	–	–	12,000
		2009.01.07 – 2018.05.25		6,000	–	–	6,000
		2009.01.08 – 2018.05.25		1,080,000	(1,080,000)	–	–
		2009.01.15 – 2018.05.25		620,000	–	–	620,000
		2009.01.28 – 2018.05.25		12,000	–	–	12,000
		2009.01.29 – 2018.05.25		5,500	–	–	5,500
		2009.02.14 – 2018.05.25		550,000	–	–	550,000
		2009.02.15 – 2018.05.25		27,600	(3,600)	–	24,000
		2009.02.25 – 2018.05.25		20,000	(8,000)	–	12,000
		2009.02.26 – 2018.05.25		12,000	–	–	12,000
		2009.02.27 – 2018.05.25		3,000	–	–	3,000
		2009.02.28 – 2018.05.25		6,000	–	–	6,000
		2009.03.01 – 2018.05.25		11,000	(8,000)	–	3,000
		2009.03.03 – 2018.05.25		11,500	(5,500)	–	6,000
		2009.03.10 – 2018.05.25		60,500	(3,600)	–	56,900
		2009.03.11 – 2018.05.25		6,000	(6,000)	–	–
		2009.03.12 – 2018.05.25		74,000	–	–	74,000
		2009.03.13 – 2018.05.25		6,000	–	–	6,000
		2009.03.17 – 2018.05.25		15,600	–	–	15,600
		2009.03.19 – 2018.05.25		32,000	–	–	32,000
		2009.03.21 – 2018.05.25		15,000	–	–	15,000
		2009.03.24 – 2018.05.25		32,600	(3,600)	–	29,000
		2009.03.25 – 2018.05.25		20,000	–	–	20,000
		2009.03.26 – 2018.05.25		3,600	–	–	3,600
		2009.03.31 – 2018.05.25		6,000	–	–	6,000
		2009.04.01 – 2018.05.25		7,200	–	–	7,200
		2009.04.02 – 2018.05.25		6,000	–	–	6,000

Grantees	Date of grant	Exercise period	Exercise price per share US$	Number of share options: Balance as at 1 January 2009	Lapsed during the period	Exercised during the period	Balance as at 30 June 2009
Other staff of Fenghuang On-line	2008.07.04	2009.04.07 – 2018.05.25		19,200	(1,200)	–	18,000
		2009.04.09 – 2018.05.25		3,000	–	–	3,000
		2009.04.10 – 2018.05.25		1,200	(1,200)	–	–
		2009.04.14 – 2018.05.25		2,400	–	–	2,400
		2009.04.15 – 2018.05.25		4,000	–	–	4,000
		2009.04.21 – 2018.05.25		4,200	–	–	4,200
		2009.04.23 – 2018.05.25		6,000	–	–	6,000
		2009.04.28 – 2018.05.25		17,600	(8,000)	–	9,600
		2009.05.04 – 2018.05.25		20,000	(6,000)	–	14,000
		2009.05.06 – 2018.05.25		3,000	–	–	3,000
		2009.05.12 – 2018.05.25		3,000	–	–	3,000
		2009.05.19 – 2018.05.25		33,000	–	–	33,000
		2009.05.20 – 2018.05.25		3,000	(3,000)	–	–
		2009.05.22 – 2018.05.25		3,000	–	–	3,000
		2009.05.23 – 2018.05.25		9,600	(3,600)	–	6,000
		2009.05.26 – 2018.05.25		459,700	(9,000)	–	450,700
	2008.11.05	2009.11.05 – 2018.05.25	0.03215	560,000	–	–	560,000
	2008.11.18	2009.11.18 – 2018.05.25	0.03215	240,000	–	–	240,000
	2008.11.19	2009.11.19 – 2018.05.25	0.03215	45,000	(45,000)	–	–
	2008.11.26	2009.11.26 – 2018.05.25	0.03215	480,000	–	–	480,000
	2008.11.27	2009.11.27 – 2018.05.25	0.03215	40,000	–	–	40,000
	2008.11.28	2009.11.28 – 2018.05.25	0.03215	9,000	–	–	9,000
				67,168,100	(6,059,000)	(1,273,750)	59,835,350

Note: The options granted in excess of the individual limit were approved by the Shareholders on 20 June 2008.

Save as disclosed above, no option had been granted, lapsed, exercised and cancelled during the period.

Save as disclosed above, no option had been granted to the Directors, chief executives or substantial shareholders, or their respective associates, or to the suppliers of goods or services under the PNM Share Option Scheme during the period. No participant was granted any option in excess of the individual limit as set out in the Listing Rules or under the PNM Share Option Scheme.

Directors' Rights to Acquire Shares or Debentures

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000 and 19 June 2009, the Committee 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 share option schemes approved by the Shareholders on 7 June 2000 have no remaining life and no further options can be granted under the schemes.

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 period was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's 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.

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 period or at any time during the period.

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

As at 30 June 2009, so far as is known to the Directors and the chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares 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 maintained by the Company pursuant to section 336 of the SFO:

(i) Long positions of substantial shareholders in the ordinary shares of the Company

Name of substantial shareholders	Number of shares	Percentage of shareholding
Today's Asia Limited (Note 1)	1,854,000,000	37.42%
Extra Step Investments Limited (Note 2)	983,000,000	19.84%
Xing Kong Chuan Mei Group Co., Ltd. (Note 3)	871,000,000	17.58%

Notes:

1. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to approximately 93.3% and 6.7% interests, respectively.

2. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited which in turn is a subsidiary of China Mobile Communications Corporation. By virtue of the SFO, China Mobile Communications Corporation and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 shares held by Extra Step Investments Limited.

3. Xing Kong Chuan Mei Group Co., Ltd. is a subsidiary of Star Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of Star Group Limited. News Publishers Investments Pty. Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty. Limited is a wholly-owned subsidiary of STAR LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a direct wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is an indirect wholly-owned subsidiary of News Publishing Australia Limited, which is an indirect wholly-owned subsidiary of News Corporation.

   By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Group Limited are all deemed to be interested in the 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd..

(ii) Long position of other person in the ordinary shares of the Company

Name of other person who has more than 5% interest	Number of shares	Percentage of shareholding
China Wise International Limited (Note)	412,000,000	8.32%

Note: 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 SAFE Investments Limited. By virtue of the SFO, Central SAFE 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.

Save as disclosed above, there was no person (other than the Directors or the chief executive of the Company) known to the Directors or the chief executive of the Company, who, as at 30 June 2009, had an interest or a 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.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's article 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.

Purchase, Sale or Redemption of Securities

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

Competing Business

Today's Asia Limited has interests in approximately 37.42%, of the share capital of the Company. Today's Asia Limited, together with its shareholder, Mr. LIU Changle, are deemed to be the substantial shareholders of the Company as defined under the Listing Rules.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited. Vital Media Holdings Limited holds 100% of Dragon Viceroy Limited which in turn holds approximately 26.85% of Asia Television Limited ("ATV"), a Hong Kong based television broadcasting company. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the People's Republic of China (the "PRC"). In August 2002, ATV received the approval from the authorities in the PRC to broadcast its Home and World channels through the cable system in the Pearl Delta of Guangdong. ATV was also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license. In addition to the two channels mentioned in the foregoing, ATV has launched three digital channels including one CCTV-4 Channel.

Star Group Limited and its subsidiaries ("STAR") engage in the development, production and broadcasting of television programming to 53 countries throughout Asia. STAR's programming is distributed primarily via satellite to local cable and direct-to-home operators for distribution to their subscribers. STAR currently offers the following Chinese-language channels: Channel V Mainland China, Channel V Taiwan, Star Chinese Movies and Xing Kong. Mr. Paul Francis AIELLO and Mr. LAU Yu Leung, John, non-executive Directors, and their alternate Directors, Dr. GAO Jack Qunyao, are directors of some of the companies in STAR.

Save as disclosed above, as at 30 June 2009, none of the Directors or their respective associates (as defined under the Listing Rules) 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 advance to an entity from the Group which exceeds 8% of the Group's total assets, as defined under rules 14.07(1) of the Listing Rules, are set out in Note 9 to the condensed financial statements.

Compliance with Code on Corporate Governance Practices

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

Unless otherwise disclosed herein, the Company has, throughout the six months ended 30 June 2009, complied with the Code.

Distinctive Roles of Chairman and Chief Executive Officer

Code provisions

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

Deviation and its reasons

Mr. LIU Changle has been both the chairman and chief executive officer of the Company since its incorporation. He is responsible for managing the board of Directors (the "Board") and the businesses of the Group. The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the audit committee of the Company ("Audit Committee"), balance of power and authority can be ensured and there is no imminent need to change the arrangement.

Appointments, Re-election and Removal

Code provisions

Under the Code, (i) non-executive Directors should be appointed for a specific term, subject to re-election; and (ii) all Directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and its reasons

Apart from the two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The Board considers that there is no imminent need to amend the articles of association of the Company.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings regarding directors’ securities transactions throughout the six months ended 30 June 2009.

Audit Committee

The Company has established the Audit Committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions of the Code. The primary duties of the Audit Committee are to review the Company’s annual report and financial statements, half-year reports and quarterly reports (if any) and to provide advice and comments thereon to the Board. The Audit Committee will meet at least three times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Mr. LAU Yu Leung, John and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim, and Mr. Thaddeus Thomas BECZAK (chairman of the Audit Committee).

The Audit Committee has already reviewed the Group’s unaudited results for the six months ended 30 June 2009.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 10 September 2009

Condensed Consolidated Income Statement – Unaudited

For the six months ended 30 June 2009

	Note	For the six months ended 30 June 2009 HK$'000	2008 HK$'000
Revenue	3	**692,346**	675,177
Operating expenses	4	**(490,077)**	(462,242)
Selling, general and administrative expenses	4	**(87,162)**	(71,617)
Other income			
Interest income		**3,239**	7,520
Other gains – net	4	**32,615**	49,630
Share of losses of an associate		**(2,430)**	–
Share of profits/(losses) of jointly controlled entities		**12**	(920)
Profit before income tax		**148,543**	197,548
Income tax expense	5	**(35,059)**	(28,232)
Profit for the period		**113,484**	169,316
Profit attributable to:			
Equity holders of the Company		**110,299**	173,164
Minority interests		**3,185**	(3,848)
		113,484	169,316
Earnings per share for profit attributable to the equity holders of the Company during the period			
Basic earnings per share, Hong Kong cents	7	**2.23**	3.50
Diluted earnings per share, Hong Kong cents	7	**2.23**	3.49

Condensed Consolidated Statement of Comprehensive Income – Unaudited

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Profit for the period	**113,484**	169,316
Other comprehensive income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**2,861**	8,328
Total comprehensive income for the period	**116,345**	177,644
Total comprehensive income attributable to:		
Equity holders of the Company	**113,160**	181,492
Minority interests	**3,185**	(3,848)
	116,345	177,644

Condensed Consolidated Balance Sheet – Unaudited

As at 30 June 2009

	Note	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	10	**25,648**	27,214
Lease premium for land	11	**222,977**	367,530
Property, plant and equipment, net	12	**694,031**	506,018
Investment property under construction	13	**194,226**	–
Intangible assets		**7,177**	4,225
Investments in jointly controlled entities		**6,863**	6,851
Investment in an associate		**3,134**	5,564
Available-for-sale financial assets		**962**	962
Financial assets at fair value through profit or loss	14	**26,945**	28,024
Other long-term assets		**25,293**	84,895
Deferred income tax assets		**5,237**	6,320
		1,212,493	1,037,603
Current assets			
Accounts receivable, net	8	**37,195**	24,462
Prepayments, deposits and other receivables	9	**553,828**	430,663
Inventories		**5,318**	4,908
Amounts due from related companies	20	**11,442**	10,817
Self-produced programmes		**2,633**	2,299
Purchased programme and film rights, net	10	**5,127**	3,639
Financial assets at fair value through profit or loss	14	**20,041**	22,498
Bank deposits		**131,971**	129,837
Restricted cash		**21,370**	21,377
Cash and cash equivalents		**299,693**	423,283
		1,088,618	1,073,783
Total assets		**2,301,111**	2,111,386

Condensed Consolidated Balance Sheet – Unaudited

As at 30 June 2009

	Note	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**495,441**	495,441
Reserves		**1,129,456**	1,110,174
		1,624,897	1,605,615
Minority interests		**233,751**	223,826
Total equity		**1,858,648**	1,829,441
LIABILITIES			
Non-current liabilities			
Provision for asset retirement reinstatement		**3,011**	5,145
Deferred income tax liabilities		**29,728**	16,387
		32,739	21,532
Current liabilities			
Accounts payable, other payables and accruals	16	**188,984**	144,889
Deferred income	15	**191,421**	106,882
Amounts due to related companies	20	**878**	205
Profits tax payable		**28,441**	8,437
		409,724	260,413
Total liabilities		**442,463**	281,945
Total equity and liabilities		**2,301,111**	2,111,386
Net current assets		**678,894**	813,370
Total assets less current liabilities		**1,891,387**	1,850,973

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2009

	Attributable to the Company's equity holders							
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Employee share-based payment reserve HK$'000	Retained earnings HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2008	**495,042**	**665,113**	**3,612**	**12,694**	**1,877**	**207,027**	**24,424**	**1,409,789**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**173,164**	**(3,848)**	**169,316**
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	8,328	–	–	–	8,328
Total comprehensive income for the period	**–**	**–**	**–**	**8,328**	**–**	**173,164**	**(3,848)**	**177,644**
Exercise of share options	399	3,910	–	–	–	–	–	4,309
Dividend related to 2007	–	(89,179)	–	–	–	–	–	(89,179)
Employee share-based payment	–	–	–	–	868	–	–	868
Investment in subsidiaries by minority shareholders	–	–	–	–	–	–	204,690	204,690
Balance at 30 June 2008	**495,441**	**579,844**	**3,612**	**21,022**	**2,745**	**380,191**	**225,266**	**1,708,121**

	Attributable to the Company's equity holders							
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Employee share-based payment reserve HK$'000	Retained earnings HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2009	**495,441**	**579,844**	**5,361**	**22,716**	**10,151**	**492,102**	**223,826**	**1,829,441**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**110,299**	**3,185**	**113,484**
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**–**	**–**	**2,861**	**–**	**–**	**–**	**2,861**
Total comprehensive income for the period	**–**	**–**	**–**	**2,861**	**–**	**110,299**	**3,185**	**116,345**
Dividend related to 2008	**–**	**(94,134)**	**–**	**–**	**–**	**–**	**–**	**(94,134)**
Employee share-based payment	**–**	**–**	**–**	**–**	**387**	**–**	**–**	**387**
Exercise of share options of a subsidiary	**–**	**–**	**–**	**–**	**(131)**	**–**	**448**	**317**
Investment in subsidiaries by minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**6,292**	**6,292**
Balance at 30 June 2009	**495,441**	**485,710**	**5,361**	**25,577**	**10,407**	**602,401**	**233,751**	**1,858,648**

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.

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Net cash generated from operating activities	**151,476**	269,601
Net cash used in investing activities	**(182,825)**	(359,520)
Net cash (used in)/generated from financing activities	**(93,817)**	107,956
Net (decrease)/increase in cash and cash equivalents	**(125,166)**	18,037
Cash and cash equivalents at beginning of period	**423,283**	531,257
Exchange gains on cash and cash equivalents	**1,576**	7,101
Cash and cash equivalents at end of period	**299,693**	556,395

Notes to the Condensed Consolidated Financial Statements – Unaudited

1. General information

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

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since December 2008 prior to which, it was listed on the Growth Enterprise Market of the Stock Exchange.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors of the Company on 10 September 2009.

2. Basis of preparation and accounting policies

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 of Phoenix Satellite Television Holdings Limited has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2008.

(b) Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of HKFRS 8 resulted in an increase in reportable segments presented, as previously reported television broadcasting segment under HKAS 14 has been split into "Primary channels" and "Others".

Notes to the Condensed Consolidated Financial Statements – Unaudited

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

- HKAS 40 (Amendment), "Investment property" (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40 where previously, they were within the scope of HKAS 16, "Property, Plant and Equipment". Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

  Management has selected the fair value model to account for its investment properties and accordingly has fair valued the portion of the construction in progress which is expected to be held for rental income or capital appreciation i.e. investment property.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk, primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its consolidated financial statements for the year ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), "Borrowing costs"
- HKAS 27 (revised), "Consolidated and separate financial statements"
- HKAS 32 (amendment), "Financial instruments: presentation"
- HKFRS 2 (amendment), "Share-based payment"
- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement"
- HK(IFRIC) 13, "Customer loyalty programmes"
- HK(IFRIC) 15, "Agreements for the construction of real estate"
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation"

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC) 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any property, plant and equipment from customers to be used for connection to a network or ongoing access to goods or services.

- HKICPA's improvements to HKFRS published in May 2009:

  - Amendment to HKFRS 2 "Share-based payments", effective for periods beginning on or after 1 July 2009. This clarification confirms that HKFRS 3(revised) does not change the scope of HKFRS 2. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.

  - Amendment to HKFRS 5 "Non-current Assets held for sale and discontinued operations", effective for periods beginning on or after 1 January 2010. Disclosures in standards other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 "Presentation of financial statements". The Group will apply HKFRS 5 (amendment) from 1 January 2010.

  - Amendment to HKFRS 8 "Operating segments", effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (amendment) from 1 January 2010.

  - Amendment to HKAS 1 "Presentation of financial statements", effective for periods beginning on or after 1 January 2010. Current/non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. The Group will apply HKAS 1 (amendment) from 1 January 2010.

  - Amendment to HKAS 7 "Statement of cash flows", effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (amendment) from 1 January 2010.

  - Amendment to HKAS 17 "Leases", effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply HKAS 17 (amendment) from 1 January 2010.

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- Amendment to HKAS 36 "Impairment of assets", effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The amendment does not have any impact on the Group's financial statements.

- Amendment to HKAS 38 "Intangible assets", effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply HKAS 36 (amendment) from 1 January 2010.

- Amendment to HKAS 39 "Financial instruments: recognition and measurement", effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction, a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply HKAS 39 (amendment) from 1 January 2010.

- Amendment to HK(IFRIC) 9 "Reassessment of embedded derivatives", effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3(revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply HK(IFRIC) 9 (amendment) from 1 January 2010.

- Amendment to HK(IFRIC) 16 "Hedges of a net investment in a foreign operation", effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant for the Group as it does not use such hedges.

3. Segmental information

At 30 June 2009, the Group has six reportable segments including:

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

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

(b) Others, including Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others

(ii) Programme production and ancillary services;

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

(iv) Outdoor media – provision of outdoor advertising services;

(v) Real estate – construction of Phoenix International Media Centre in Beijing, and

(vi) Other activities – merchandising services, magazine publication and distribution, and other related services.

An analysis of the Group's revenue and operating results for the period by reportable segments is as follows:

	For the six months ended 30 June 2009								
	Television broadcasting Primary channels HK$'000	Television broadcasting Others HK$'000	Programme production and ancillary services HK$'000	New media HK$'000	Outdoor media HK$'000	Real estate HK$'000	Other activities HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Revenue									
External sales	**567,314**	**51,571**	**–**	**29,418**	**19,241**	**–**	**24,802**	**–**	**692,346**
Inter-segment sales	**–**	**2,769**	**13,288**	**–**	**–**	**–**	**–**	**(16,057)**	**–**
Total revenue	**567,314**	**54,340**	**13,288**	**29,418**	**19,241**	**–**	**24,802**	**(16,057)**	**692,346**
Segment results	**225,925**	**(8,255)**	**(1,021)**	**4,976**	**(22,723)**	**29,935**	**3,062**	**–**	**231,899**
Unallocated income (Note a)									**2,575**
Unallocated expenses (Note b)									**(83,513)**
Profit before share of results of associate, jointly controlled entities, income tax expense and minority interests									**150,961**
Share of losses of an associate									**(2,430)**
Share of profits of jointly controlled entities									**12**
Income tax expense									**(35,059)**
Profit for the period									**113,484**
Minority interests									**(3,185)**
Profit attributable to equity holders of the Company									**110,299**

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	For the six months ended 30 June 2008								
	Television broadcasting Primary channels HK$'000	Television broadcasting Others HK$'000	Programme production and ancillary services HK$'000	New media HK$'000	Outdoor media HK$'000	Real estate HK$'000	Other activities HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Revenue									
External sales	563,491	58,599	–	27,486	–	–	25,601	–	675,177
Inter-segment sales	–	–	14,504	–	–	–	–	(14,504)	–
Total revenue	563,491	58,599	14,504	27,486	–	–	25,601	(14,504)	675,177
Segment results	232,036	(19,438)	239	10,092	(10,608)	(232)	5,319	–	217,408
Unallocated income (Note a)									57,358
Unallocated expenses (Note b)									(76,298)
Profit before share of results of associate, jointly controlled entities, income tax expense and minority interests									198,468
Share of losses of an associate									–
Share of losses of jointly controlled entities									(920)
Income tax expense									(28,232)
Profit for the period									169,316
Minority interests									3,848
Profit attributable to equity holders of the Company									173,164

Notes:

(a) Unallocated income represents exchange gain, interest income, fair value gain/loss on financial assets and liabilities (realised and unrealised), investment income, gains on additional capital injection into a subsidiary and gain on the acquisition of a subsidiary.

(b) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses; and
- marketing and advertising expenses that relate to the Group as a whole.

4. Profit before income tax

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

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Crediting		
Fair value gain on financial assets at fair value through profit or loss (realised and unrealised), net	**–**	1,794
Investment income	**1,722**	897
Fair value gain on investment property under construction	**32,997**	–
Gain on disposal of property, plant and equipment	**–**	144
Reversal of previously written-off accounts receivable	**211**	1,289
Reversal of provision for impairment of accounts receivable	**3,394**	1,346
Reversal of provision for impairment of prepayments, deposits and other receivables	**780**	1,597
Gain on the formation of a subsidiary	**–**	7,500
Gain on the acquisition of a subsidiary	**–**	12,146
Charging		
Amortisation of purchased programme and film rights	**16,116**	14,390
Production costs of self-produced programmes	**59,669**	67,757
Transponder rental	**13,917**	14,808
Provision for impairment of accounts receivable	**77**	625
Employee benefit expenses (including Directors' emoluments)	**187,981**	166,677
Operating lease rental in respect of		
– Directors' quarters	**705**	668
– Land and buildings of third parties	**11,047**	11,571
Loss on disposal of property, plant and equipment	**–**	23
Fair value loss on financial assets at fair value through profit or loss (realised and unrealised)	**3,536**	–
Depreciation expenses	**28,819**	11,765
Amortisation of lease premium for land	**1,122**	871

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5. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**20,453**	30,248
– Overseas taxation	**210**	188
Deferred income tax	**14,396**	(2,204)
	35,059	28,232

6. Interim dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

7. Earnings per share

Basic

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

	For the six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**110,299**	173,164
Weighted average number of ordinary shares in issue ('000)	**4,954,412**	4,954,220
Basic earnings per share (Hong Kong cents)	**2.23**	3.50

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the six months ended 30 June 2009) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for calculation of diluted earnings per share.

	For the six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**110,299**	173,164
Weighted average number of ordinary shares in issue ('000)	**4,954,412**	4,954,220
Adjustment for share options ('000)	**84**	5,565
Weighted average number of ordinary shares for diluted earnings per share ('000)	**4,954,496**	4,959,785
Diluted earnings per share (Hong Kong cents)	**2.23**	3.49

8. Accounts receivable, net

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
Accounts receivable	**39,150**	29,768
Less: Provision for impairment of receivables	**(1,955)**	(5,306)
	37,195	24,462

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 9). The Group generally requires customers to pay in advance.

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	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
0-30 days	**22,423**	14,021
31-60 days	**8,039**	5,713
61-90 days	**2,503**	1,354
91-120 days	**1,762**	2,352
Over 120 days	**4,423**	6,328
	39,150	29,768
Less: Provision for impairment of receivables	**(1,955)**	(5,306)
	37,195	24,462

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

The Group has recognised a loss of HK$77,000 (six months ended 30 June 2008: HK$625,000) for the impairment of its accounts receivable during the six months ended 30 June 2009. The loss has been included in selling, general and administrative expenses in the unaudited condensed consolidated income statement. The Group has written off HK$35,000 (six months ended 30 June 2008: HK$326,000) of accounts receivable against the provision for impairment of receivables and reversed HK$3,605,000 (six months ended 30 June 2008: HK$2,635,000) of the provision for impairment of receivables made in prior years during the six months ended 30 June 2009 respectively.

9. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$373,274,000 (as at 31 December 2008: HK$323,215,000) owing from an advertising agent, Shenzhou Television Company Ltd ("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.

The Group has set up a commercial and trust arrangement with Shenzhou, details of which have been disclosed in the announcement made by the Company on 25 September 2002.

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 HK$373,274,000 as at 30 June 2009 is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

10. Purchased programme and film rights, net

	For the six months ended 30 June 2009 HK$'000	For the year ended 31 December 2008 HK$'000 (Audited)
Balance, beginning of period/year	**30,853**	20,712
Additions	**16,262**	35,649
Amortisation	**(16,116)**	(25,138)
Others	**(224)**	(370)
Balance, end of period/year	**30,775**	30,853
Less: Purchased programme and film rights – current portion	**(5,127)**	(3,639)
	25,648	27,214

11. Lease premium for land

The Group's interests in land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	For the six months ended 30 June 2009 HK$'000	For the year ended 31 December 2008 HK$'000 (Audited)
In Hong Kong, held on:		
Leases of over 10 to 50 years	**38,059**	38,560
Outside Hong Kong, held on:		
Leases of over 10 to 50 years	**184,918**	328,970
	222,977	367,530

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	For the six months ended 30 June 2009 HK$'000	For the year ended 31 December 2008 HK$'000 (Audited)
Balance, beginning of period/year	**367,530**	132,810
Exchange differences	**1,016**	2,327
Additions	**–**	3,835
Acquired through a business combination (Note a)	**–**	235,330
Transfer to investment property under construction (Note a)	**(143,087)**	–
Amortisation of prepaid operating lease payment (Note b)	**(2,482)**	(6,772)
Balance, end of period/year (Note c)	**222,977**	367,530

(a) On 9 April 2008, Phoenix Pictures Limited ("Phoenix Pictures"), an indirectly wholly owned subsidiary of the Company, acquired Phoenix Oriental (Beijing) Properties Company Limited 鳳凰東方(北京)置業有限公司 ("Phoenix Oriental"), which holds the land use rights for a piece of land in Chaoyang Park. The land use rights held by Phoenix Oriental has been consolidated into the financial statements of the Group since then. The term of the land use rights is 50 years from 10 October 2001.

The land at the south western corner of Chaoyang Park in Beijing was valued by independent appraisers as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land as at acquisition date was RMB209,273,000 (equivalent to approximately HK$235,330,000). Subsequent to the acquisition of Phoenix Oriental, an amount of RMB3,398,100 (equivalent to approximately HK$3,821,000) was paid for the title registration for the land use right and has been capitalized as part of the cost of the land use right.

The land, comprised of approximately 18,822 square metres and a permitted total gross floor area above ground of approximately 35,000 square metres, is for cultural, entertainment and office uses. Currently, the Phoenix International Media Centre, a building which will contain theatres, television programme studios, offices, commercial storage, back office and other ancillary facilities such as car parking spaces, is being constructed on the land.

The total estimated floor area of the construction is approximately 62,800 square metres. Upon completion of the construction, approximately 25,400 square metres is expected to be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation. Accordingly, the cost of the lease premium for land amounting to approximately HK$143,087,000 was transferred to investment property under construction from 1 January 2009 in accordance with the requirements of HKAS 40 (Amendment), "Investment Property", which became effective on 1 January 2009 (See note 13).

(b) For the six months ended 30 June 2009, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$1,360,000 (as at 31 December 2008: HK$5,030,000).

(c) Included in the net book value as of 30 June 2009 is an amount of HK$16,972,000 which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management to the Shenzhen Municipal Bureau of Land Resources and Housing Management 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 meters in the China Phoenix Building (the "Shenzhen Building"). As of 30 June 2009, 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. As at 30 June 2009, the Group's entitlement to use of its entitled areas in the building continues to be accounted for as a finance lease as the Group had not yet obtained title to these entitled areas.

12. Property, plant and equipment, net

	For the six months ended 30 June 2009 HK$'000	For the year ended 31 December 2008 HK$'000 (Audited)
Balance, beginning of period/year	**506,018**	248,951
Additions (Note a)	**229,829**	278,889
Transfer to investment property under construction (Note 13)	**(13,505)**	–
Exchange differences	**508**	815
Acquired through a business combination	**–**	4,846
Disposals	**–**	(1,494)
Depreciation	**(28,819)**	(25,989)
Impairment	**–**	–
Balance, end of period/year (Note b)	**694,031**	506,018

(a) The Group relocated its headquarters to Taipo in Hong Kong's New Territories in March 2009. For the six months ended 30 June 2009, additions to property, plant and equipment relating to the new headquarters in Taipo amounted to approximately HK$180,875,000 (for the year ended 31 December 2008: HK$195,270,000).

(b) Included in the net book value as of 30 June 2009 is an amount of HK$29,332,000 which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. The Group's entitlement to use was accounted for as a finance lease as at 30 June 2009. As at 30 June 2009, the cost of this capitalised finance lease was HK$30,848,000 (as at 31 December 2008: HK$30,848,000) with a net book value of HK$29,332,000 (as at 31 December 2008: HK$29,682,000). As at 30 June 2009, the Group was still in the process of obtaining the title certificate to the 8,500 square meters of the entitled areas through the payment of land premium and taxes (See note 11(c)).

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13. Investment property under construction

	For the six months ended 30 June 2009 HK$'000	For the year ended 31 December 2008 HK$'000 (Audited)
Balance, beginning of period/year	–	–
Additions	4,637	–
Transferred from lease premium for land	143,087	–
Transferred from property, plant and equipment	13,505	–
Fair value gain	32,997	–
Balance, end of period/year	194,226	–

The Group is developing the Phoenix International Media Centre on land situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing (See note 11(a)).

The total estimated floor area of the construction is approximately 62,800 square metres. Upon completion of the construction, approximately 25,400 square metres is expected to be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation. Accordingly, the cost of lease premium for the land and cost of construction amounting to approximately HK$143,087,000 and HK$13,505,000, being the cost of the development allocated to the portion which is expected to be held for rental income or capital appreciation, has been transferred from lease premium for land and property, plant and equipment, respectively, from 1 January 2009 in accordance with the requirements of HKAS 40 (Amendment), "Investment Property", which became effective on 1 January 2009 (See note 11(a)).

The Group has applied the fair value model, as permitted by HKAS 40, to account for its investment property under construction and has fair valued the portion of the construction in progress of the Phoenix International Media Centre which is accounted for as investment property under construction. The fair value of the investment property under construction as at 30 June 2009 as valued by independent appraisers was approximately RMB170,400,000 (equivalent to approximately HK$194,226,000). A fair value gain of approximately HK$32,997,000 was recognised in the condensed consolidated income statement for the six months ended 30 June 2009.

14. Financial assets at fair value through profit or loss

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
Unlisted investments at fair value	**46,986**	50,522
Less: Non-current portion	**(26,945)**	(28,024)
	20,041	22,498

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

As at 30 June 2009, the financial assets at fair value through profit and loss comprise the shares of HSBC Holdings PLC ("HSBC") of HK$20,041,000 and a commodity index participation note of HK$26,945,000.

The shares of HSBC were acquired through the maturity of an equity-linked note on 5 December 2008. On the settlement date of the equity-linked note, the closing price of the shares of HSBC was lower than HK$135.6945, the Group received 305,271 shares of HSBC instead of the cash principal of the investment from the issuer. Any gain or loss on the fair value of the shares of HSBC recognised on the condensed consolidated income statement since then. As at 30 June 2009, the closing price of the shares of HSBC was HK$65.7. If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, post-tax profit for the period would have been HK$10,028,000 higher/lower. The investment in HSBC Shares is managed and its performance evaluated on a fair value basis and information about this investment is reported to management on that basis and as such has been designated as a financial asset at fair value through profit and loss.

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

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

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15. Deferred income

Included in deferred income is an amount of approximately HK$39,995,000 (as at 30 June 2008: HK$43,516,000) of unutilised amount of airtime in relation to the strategic cooperation agreement (the "Strategic Cooperation Agreement") and a barter agreement (the "Barter Agreement") entered into between the Group and Mission Hills Group Limited ("Mission Hills") on 23 June 2006. According to the Strategic Cooperation Agreement, the Group would provide advertising airtime on its satellite television channels and assist Mission Hills in the planning and promotion of the corporate image and branding of Mission Hills by using the Group's resources and leading position in the media industry. The contract term of the Strategic Cooperation Agreement is five years from the date of the contract.

Under the Barter Agreement, Mission Hills transferred the title, rights and interests of a villa in Mission Hills in Residence development (the "Villa") to the Group at a price of approximately HK$98,000,000 and in exchange, the Group would provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Group's normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of Mission Hills and its projects. The Group took possession of the Villa in July 2006 and received title in February 2007.

For the six months ended 30 June 2009, the Group recognised revenue of approximately HK$3,521,000 (six months ended 30 June 2008: HK$7,621,000) for airtime utilised.

16. Accounts payable, other payables and accruals

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
Accounts payable	**65,419**	34,276
Other payables and accruals	**123,565**	110,613
	188,984	144,889

An aging analysis of accounts payable is set out below:

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
0-30 days	**16,956**	11,859
31-61 days	**4,615**	1,342
61-90 days	**14,183**	4,808
91-120 days	**3,723**	6,078
Over 120 days	**25,942**	10,189
	65,419	34,276

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

17. Share capital

	Six months ended 30 June 2009 Number of shares	Amount HK$'000	Year ended 31 December 2008 Number of shares	Amount HK$'000 (Audited)
Authorised:				
Ordinary share of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period/year	**4,954,412,000**	**495,441**	4,950,422,000	495,042
Exercise of share options	**–**	**–**	3,990,000	399
End of period/year	**4,954,412,000**	**495,441**	4,954,412,000	495,441

18. Commitments

As at 30 June 2009, the Group had capital commitments as follows:

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
Contracted but not provided for:		
Not later than one year	**37,515**	212,878
Later than one year and not later than five years	**8,217**	9,469
Authorised but not contracted for		
Not later than one year	**24,706**	6,812
Later than one year and not later than five years	**–**	57,945
	70,438	287,104

19. Banking facilities

As at 30 June 2009, the Group had banking facilities amounting to approximately HK$18,029,000 (as at 31 December 2008: HK$18,020,000) of which approximately HK$10,701,000 (as at 31 December 2008: HK$11,061,000) was unutilised. The facilities are covered by counter indemnities from companies within the Group. As at 30 June 2009, deposits of approximately HK$3,029,000 (31 December 2008: HK$3,020,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

Notes to the Condensed Consolidated Financial Statements – Unaudited

20. Related party transactions

(i) The Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

	Notes	For the six months ended 30 June 2009 HK$'000	2008 HK$'000
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**21,860**	27,178
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	**1,734**	1,744
Film licence fees paid to STAR TV Filmed Entertainment Limited ("STAR Filmed")	a, d	**–**	10,200
Service charges paid/payable to Asia Television Limited ("ATV")	e, f	**7**	125
Service charges received/receivable from ATV	e, g	**617**	571
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	h, i	**411**	1,826
Programme licence fees to Twentieth Century Fox International Television, Inc. ("Fox International")	h, j	**1,222**	–
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	k, l	**443**	611
Service charges received from DIRECTV, Inc. ("DIRECTV")	m, n	**–**	279
Programme license fees paid/payable to Asia Television Enterprise Limited ("ATVE")	e, o	**–**	234
Advertising sales to China Mobile Communications Corporation and its subsidiaries ("the CMCC Group")	p, q	**20,843**	19,101
Key management compensation	iii	**8,888**	8,632

Notes:

(a) STARL, STAR Filmed and other STAR TV group companies are wholly-owned subsidiaries of Star Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreements dated 30 June 2006 for period prior to 1 July 2009. The summary of the terms of the service agreement is set out in the circular of the Company dated 21 July 2006. Either fixed fees or variable fees are charged depending on the type of services utilised. The Group has renewed the service agreement with STARL on 2 July 2009, the agreement is effective for three years from 1 July 2009. Details of the new service agreement are provided in the announcement of the Company dated 3 July 2009.

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2008: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR Filmed which expired in August 2008.

(e) Mr. LIU Changle and Mr. CHAN Wing Kee beneficially owned 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owned approximately 26.85% of ATV as at 30 June 2009.

(f) Service charges paid/payable to ATV cover news footage and data transmission services provided to the Group which are charged based on terms mutually agreed upon between both parties.

(g) Service charges received/receivable from ATV cover the following services provided to ATV which are charged based on terms specified in a service agreement:

- the use of floor area for the location of receivers;
- the use of master control room equipment and transmission equipment (including maintenance for daily wear and tear);
- fibre optic transmission; and
- video tapes administration and playout services.

(h) Fox and Fox International are associates of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(i) Service charges paid/payable to Fox cover the following services provided to the Group which are charged based on the terms specified in a service agreement:

- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;
- leasing of office space and access to workspace, subject to availability; and
- accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

(j) Programme licence fees to Fox International are charged based on terms specified in license agreements.

(k) BSkyB is 39.14% owned by News Corporation, which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(l) Service charges paid/payable to BSkyB for the encoding and electronic programme guide services provided to the Group which are charged based on terms specified in the service agreement.

(m) DIRECTV is not regarded as a related party or connected party of the Group with effect from 27 February 2008 after the completion of the share exchange agreement between the News Corporation and Liberty Media Corporation. As at 26 February 2008, DIRECTV was 40.97% directly owned by Fox Entertainment Group, Inc., which indirectly owned 100% of Fox. Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(n) Service charges received/receivable from DIRECTV are charged based on terms specified in a service agreement. The charges disclosed above relate to the period from 1 January 2008 to 27 February 2008.

(o) Pursuant to a programme licensing agreement dated 29 May 2003, the programme license fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule of the agreement are charged at a fixed fee or fees to be mutually agreed.

(p) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.84% of the issued share capital of the Company.

(q) Advertising sales to the CMCC Group are related to (1) airtime advertising and programme sponsoring on channels and (2) airtime advertising on the LED Panels operated by the Group and are charged based on terms specified in the advertising contracts.

Notes to the Condensed Consolidated Financial Statements – Unaudited

(ii) Period/year end balances arising from related parties transactions as disclosed in Note 20(i) above were as follows:

	As at 30 June 2009 HK$'000	As at 31 December 2008 HK$'000 (Audited)
Amounts due from related companies	**11,442**	10,817
Amounts due to related companies	**878**	205

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

(iii) Key management compensation

	For the six months ended 30 June	
	2009 HK$'000	2008 HK$'000
Salaries	**5,906**	5,790
Quarters and housing allowance	**2,392**	2,264
Pension fund	**590**	578
	8,888	8,632

21. Subsequent events

(a) On 27 July 2009, Phoenix Oriental obtained a bank loan from Bank of Beijing to fund the construction work on the Phoenix International Media Centre. The total principal of the loan is RMB500,000,000, which is expected to be drawn down from July 2009 to July 2012. The loan bears interest at a floating rate, determined by the People's Bank of China, and shall be repaid in full by the end of 2012.

The land use rights of the land on which the Phoenix International Media Centre will be located with carrying value of HK$267,009,000 as at 30 June 2009, has been pledged as security for the bank loan.

(b) On 22 July 2009, the Company granted 5,254,000 shares options of HK$0.10 each to employees of the Group under the share option scheme adopted by the Company on 19 June 2009. Exercise price of the share options granted is HK$1.17 per share which represents the closing price of the Company's shares as stated in the daily quotation sheets issued by The Stock Exchange on the grant date.

(c) On 31 July 2009, Phoenix New Media Limited ("PNM"), a subsidiary of the Company, granted 10,584,900 share options to employees of its subsidiary under the PNM share option scheme at an exercise price of US$0.03215 per share.

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