鳳凰衛視

PHOENIX MEDIA INVESTMENT (HOLDINGS) LIMITED
鳳凰衛視投資(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02008)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**" or "**Directors**") of Phoenix Media Investment (Holdings) Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**" or "**Phoenix**") for the six months ended 30 June 2018 (the "**Period**").

FINANCIAL SUMMARY

- Revenue of the Group for the Period was approximately HK$1,836,813,000, which represented an increase of 15.2% in comparison with the same period last year.
- Operating loss of the Group for the Period was approximately HK$113,195,000, which represented a decrease of 14.1% in comparison with the same period last year.
- The loss attributable to owners of the Company was approximately HK$8,660,000, in comparison with profit attributable to owners of the Company of approximately HK$74,220,000 for the same period last year as a result of a significant decrease in fair value gain on financial assets.

RESULTS

The revenue of the Group for the Period was approximately HK$1,836,813,000 (six months ended 30 June 2017: HK$1,594,557,000), which represented an increase of 15.2% in comparison with the same period last year. The operating costs for the Period have increased by 13.0% to approximately HK$1,950,008,000 (six months ended 30 June 2017: HK$1,726,323,000).

The operating loss of the Group for the Period was approximately HK$113,195,000 (six months ended 30 June 2017: HK$131,766,000) which represented a decrease of 14.1% over the same period last year.

Fair value gain on financial assets related to subsequent measurement of internet media's investment in Particle Inc. for the Period was approximately HK$62,476,000 (six months ended 30 June 2017: HK$275,073,000). Particle Inc. is a strategic investment of Phoenix New Media Limited ("**PNM**"), a subsidiary of the Company and it mainly operates the Yidian Zixun mobile APP featuring personalized interest-based information and news feed functions targeting the mass market.

The net exchange gain of the Group for the Period was approximately HK$38,718,000 (six months ended 30 June 2017: loss of HK$3,474,000), mainly resulting from the appreciation of the Renminbi.

The loss attributable to owners of the Company for the Period was approximately HK$8,660,000 (six months ended 30 June 2017: profit of HK$74,220,000).

The chart below summarises the performance of the Group for the six months ended 30 June 2018 and the same period in 2017 respectively.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Television broadcasting	**550,993**	551,343
Internet media	**819,416**	740,620
Outdoor media	**383,574**	260,248
Real estate	**28,291**	6,143
Other businesses	**54,539**	36,203
Group's total revenue	**1,836,813**	1,594,557
Operating costs	**(1,950,008)**	(1,726,323)
Operating loss	**(113,195)**	(131,766)
Fair value gain on investment properties, net	**59,400**	7,049
Net gain and interest income on internet media investment	**62,476**	337,605
Exchange gain/(loss), net	**38,718**	(3,474)
Other income, net	**26,681**	24,196
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**74,080**	233,610
Share of results of joint ventures and associates	**6,544**	(16,641)
Income tax expense	**(34,825)**	(12,908)
Profit for the period	**45,799**	204,061
Non-controlling interests	**(54,459)**	(129,841)
(Loss)/profit attributable to owners of the Company	**(8,660)**	74,220
Basic (loss)/earnings per share, Hong Kong cents	**(0.17)**	1.49

BUSINESS OVERVIEW AND PROSPECTS

Based on a sound financial position, the Group continued its proactive development in the first half of 2018 with its omni-media business structure continuously becoming more integrated and innovative. Determined to upgrade its strategies, the Group has been developing budding businesses in synergistic emerging industries. The Group's "Phoenix TV" brand retains its credibility and wide influence and its leading position among Chinese language media across the globe in brand value.

On 7 March 2018, the Company was renamed "Phoenix Media Investment (Holdings) Limited" to reflect the Group's decades of media experience, its adherence to the totemic brand of "Phoenix TV", and its proactive responsiveness to the Group's reform of strategies, tactics and management mechanism for future development. Meanwhile, the Group has upgraded its positioning to a "content operations-oriented high-tech omni-media group" and, on this basis, set a three-year development goal of strategic upgrade: leveraging Phoenix TV's brand influence and professionalism to build an internationally leading high-tech omni-media group focused on content operations and driven by cross-sector integration.

Based in Hong Kong with nearly 60 news bureaux and correspondent stations worldwide, Phoenix TV delivers first-hand news to the Chinese audience globally and adheres to the integrated news reporting standards of "Chinese perspective", "patriotic sentiment", "caring for the world", "live-broadcasting as a priority" and "exclusivity and uniqueness". In 2018, our global Phoenix TV team witnessed and immediately reported world events such as China's diplomatic relations with many major countries, the U.S.-North Korea Summit, the Inter-Korean Panmunjom Meeting, Malaysia's general election and the evolving China-U.S. trade war. Phoenix's coverage of these developments was widely watched and praised by the Chinese community worldwide. In addition, in recognition of its high-quality content production, Phoenix TV was crowned with four awards at the "New York Festivals World's Best TV & Films Awards 2018" in April this year, including Gold World Medal in the "Best Lighting" category for *Decipher News* (《英聞解碼》), Finalist Certificate in the "Best Innovation" category for *The 20th anniversary of the HKSAR reunification special* (《香港回歸20周年特備節目》), Finalist Certificate in the "Best Production Design/Art Direction" category for *FILLER-20 HONG KONG* (《香港回歸20周年航拍短片》), and Finalist Certificate in the "Best News Documentary/Special" category for *Syria: Between Ashes and Roses* (《敘利亞：不倒玫瑰》).

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

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

Through continuous efforts in the past 10 years, the Group's outdoor media platform "Phoenix Metropolis Media" has grown into the largest and most influential outdoor LED media operator in mainland China emphasizing innovation and development, and has achieved significant growth in both revenue and profits in the first half of 2018. Following the launch of the Phoenix LED Alliance, the naked-eye 3D big screen video advertising and the mobile marketing system have been well-received by customers and have maintained their leading position in the industry.

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

The digital technology business of Phoenix is committed to represent the beauty of Chinese culture and art to the rest of the world by combining cutting-edge digital technology and culture. Phoenix TV achieved strategic cooperation with the Palace Museum, under which the two parties jointly launched a high-tech virtual reality interactive exhibition of the scene depicted in the painting "Along the River during the Qingming Festival 3.0" (《清明上河圖3.0》) at the Palace Museum on 18 May 2018, which has drawn extensive community attention and has received more than 150,000 visitors in less than three months. The exhibition, called "Along the River during the Qingming Festival 3.0" (《清明上河圖3.0》), was held at Jianting Square of the Palace Museum in an area of approximately 1,600 sq. m. and consisted of three exhibition halls — Giant Interactive Roll of Painting, Sunyangdian Immersive Theater, and Hongqiao Dome Cinema — and a Northern Song Space. Through a multimedia interactive format that perfectly combines art and technology, the exhibition takes visitors on a wonderful historically, culturally and aesthetically enriching journey of "hyperlink" to a long-lost period of history. In addition, for the digital technology business segment, the "LEJOY" indoor theme park focusing on children's education and "the Experience Hall of Virtual Reality Arena" e-sports center have been put into operation as well.

"Phoenix Entertainment", a platform focused on the animated comics and games business, has obtained the copyrights to adapt classic martial arts novels written by Mr. Jin Yong into comic format. We cooperated with "Tencent Comic" (騰訊動漫), the largest animated comics platform in China, to jointly launch four adapted comics — *Demi-Gods and Semi-Devils* (《天龍八部》), *The Smiling, Proud Wanderer* (《笑傲江湖》), *Fox Volant of the Snowy Mountain* (《雪山飛狐》) and *Ode to Gallantry* (《俠客行》) — which are meant to build up a large user base quickly by leveraging the huge readership of Jin Yong's novels, refresh the value and powerful market influence of Jin Yong's IP and lay the foundation for subsequent business operations. In addition, Phoenix Entertainment will also launch several new mobile game products in 2018.

Other business segments of the Group have also been growing. iFeng Yun and Flying Fish, two high-speed document transfer internet products developed by our cloud technology business unit, have a promising future in the operations of high-volume document transmission and the film and television industry. The creative culture business unit is on the right track to expand in the arts (USALT mobile APP platform), performance and culture tourism fields. Our educational business unit is working with hundreds of universities to offer digital technology-based distant learning courses; our exhibition unit has held exhibitions to promote domestic companies overseas, with the "International Chinese Medicine Cultural Festival" as an iconic project. This year's culture festival has "Chinese Medicine without Frontiers" as its theme and shows the footprint of traditional Chinese medicine around the world through installation art and interactive installations. In line with the urbanization trend in China, the Group is exploring some scaled creative cultural pilot projects with brand effects such as "cultural towns" and "cultural and creative bases". The Group has also achieved progress in the business areas of internet finance and publishing.

In the post-information-age era driven by internet technology, especially as artificial intelligence takes traditional media and new media into the "smart media era", Phoenix is strongly positioned to embrace technology advances, reformation and the future and accelerate innovation in our strategies, business models, mechanisms and products and will, in line with its emphasis on the in-depth integration of capital market and business development, build a Phoenix Cultural Media Pool Fund to support the Group's cross-sector development and strategic transformation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

	Six months ended 30 June			
	2018		2017	
	Revenue *HK$'000*	**Segment results** *HK$'000*	Revenue *HK$'000*	Segment results *HK$'000*
Television broadcasting	**550,993**	**53,573**	551,343	74,768
Internet media	**819,416**	**53,503**	740,620	324,337
Outdoor media	**383,574**	**60,722**	260,248	(2,223)
Real estate	**28,291**	**43,694**	6,143	(26,306)
Other businesses	**54,539**	**(36,472)**	36,203	(29,592)
Group's total revenue and segment results	**1,836,813**	**175,020**	1,594,557	340,984
Unallocated income		**47,542**		24,846
Unallocated expenses		**(148,482)**		(132,220)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**74,080**		233,610

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 30.0% of the total revenue of the Group for the Period, decreased to approximately HK$550,993,000 (six months ended 30 June 2017: HK$551,343,000). The presence of internet media has continued to pose a challenge to conventional media. As the cost structure is relatively fixed, the segmental profit for television broadcasting business decreased to approximately HK$53,573,000 for the Period (six months ended 30 June 2017: HK$74,768,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 27.4% of the total revenue of the Group for the Period, increased 0.9% to approximately HK$503,174,000 (six months ended 30 June 2017: HK$498,611,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased 9.3% to approximately HK$47,819,000 (six months ended 30 June 2017: HK$52,732,000).

The revenue of the internet media business for the Period increased 10.6% to approximately HK$819,416,000 (six months ended 30 June 2017: HK$740,620,000) mainly resulting from the appreciation of the Renminbi. The segmental profit of the internet media business for the Period decreased to approximately HK$53,503,000 (six months ended 30 June 2017: HK$324,337,000) as a result of significant decrease in net gain related to subsequent measurement of the investment in Particle Inc..

The revenue of the outdoor media business for the Period increased 47.4% to approximately HK$383,574,000 (six months ended 30 June 2017: HK$260,248,000). The segmental profit of outdoor media business for the Period was approximately HK$60,722,000 (six months ended 30 June 2017: loss of HK$2,223,000).

The segmental gain for real estate business for the Period was approximately HK$43,694,000 (six months ended 30 June 2017: loss of HK$26,306,000), which included the net fair value gain of approximately HK$59,400,000 (six months ended 30 June 2017: HK$7,049,000), recognised for the investment properties.

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

DIVIDENDS

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2018 remained solid. As at 30 June 2018, the Group had cash and current bank deposits totaling about HK$2,119,402,000 (as at 31 December 2017: HK$2,690,998,000). The aggregate outstanding borrowings of the Group were approximately HK$1,337,351,000 (as at 31 December 2017: HK$1,239,544,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of subsidiaries, secured and interest bearing bank borrowings to fund the investment in Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings. For details, please refer to Note 20 to the unaudited condensed consolidated interim financial information.

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 57.6% as at 30 June 2018 (as at 31 December 2017: 54.6%).

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

CHARGE ON ASSETS

As at 30 June 2018, the land and property in Chaoyang Park, Beijing, with carrying value of approximately HK$106,000,000, HK$415,000,000 and HK$1,687,000,000 (as at 31 December 2017: HK$103,000,000, HK$412,000,000 and HK$1,555,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the investment in Phoenix International Media Centre in Beijing. Bank deposit of approximately HK$814,020,000 (as at 31 December 2017: HK$781,666,000) was pledged with a bank to secure bank borrowing to optimize return through interest difference and arrangement of external security within the loan. The property in the United States with carrying value of approximately HK$2,747,000 (as at 31 December 2017: HK$2,751,000) was pledged with a bank to secure a bank borrowing. Deposits of approximately HK$356,000 (as at 31 December 2017: HK$352,000) were pledged with a bank to secure banking guarantees given to the landlord of a subsidiary.

Save as disclosed above, the Group did not have any other charges on its assets as at 30 June 2018 and 31 December 2017.

CAPITAL STRUCTURE AND SHARE OPTIONS

As at 30 June 2018, the authorized share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each, of which 4,993,469,500 shares (as at 31 December 2017: 4,993,469,500 shares) had been issued and fully paid.

There was no option exercised under the Company's share option schemes during the Period.

As at 30 June 2018, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of subsidiaries and banking facilities.

STAFF

As at 30 June 2018, the Group employed 2,849 full-time staff (as at 31 December 2017: 2,881) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the Period increased to approximately HK$638,491,000 (six months ended 30 June 2017: HK$594,257,000).

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2018, the Group invested in listed securities investments with estimated fair market value of approximately HK$22,468,000 (as at 31 December 2017: HK$24,406,000) which was recognised as "financial assets at fair value through profit or loss", and the unlisted preferred shares of Particle Inc. held by the Group was recognised as "financial assets at fair value through profit or loss" with estimated fair market value of approximately HK$1,501,118,000 (as at 31 December 2017 recognised as "available-for-sale financial assets": HK$705,712,000 and "derivative financial instruments": HK$721,002,000). Save as disclosed above, the Group had not held any other significant investment for the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

CONTINGENT LIABILITIES

Various companies in the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the unaudited condensed consolidated interim financial information for the Period. Adequate provisions had also been made in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017.

OTHER IMPORTANT EVENTS AND SUBSEQUENT EVENTS

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

On 28 January 2016, 5 April 2016, 10 August 2016, 2 November 2016 and 20 January 2017, PNM, a non-wholly owned subsidiary of the Company granted loans in the principal amounts of US$10,000,000, US$10,000,000, US$14,800,000 ("**August 2016 Loan**"), RMB46,000,000 and RMB74,000,000 ("**January 2017 Loan**") respectively to Particle Inc..

On 22 January 2018, PNM extended the terms of (i) the August 2016 Loan for a further six (6) months term to August 2018, and (ii) the January 2017 Loan to July 2018 after the extension. The expiration date of PNM's right to convert, at PNM's option, all or a part of the August 2016 Loan (including principal and interests) into Series D1 preferred shares to be issued by Particle Inc. was accordingly extended to 9 August 2018.

On 29 September 2017, PNM, Particle Inc. and Long De Cheng Zhang Culture Communication (Tianjin) Co., Ltd. ("**Long De**") entered into an agreement pursuant to which PNM was expected to assign its rights under the August 2016 Loan to Long De or its affiliates amongst other matters (the "**Previous Agreement**"). Given the delay in completion of the transactions contemplated under the Previous Agreement, on 2 April 2018, the parties agreed to terminate the Previous Agreement and replace it with a loan assignment agreement, pursuant to which PNM will assign the August 2016 Loan to Long De or its affiliates with an assignment price of approximately US$17,000,000 amongst other matters.

On 7 August 2018, Long De's designated affiliate paid the assignment price of approximately US$17,000,000 to PNM and the loan assignment was completed.

PNM currently owns approximately 37.64% of the total outstanding shares of Particle Inc. on an as-if converted basis.

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

In early 2018, Phoenix Entertainment and Game Company Limited (鳳凰娛樂遊戲有限公司) ("**Phoenix Games**"), a subsidiary of the Company, entered into a round of fund raising exercises seeking external funds to support its business plans in the comic and games industry. Based on the then valuation of Phoenix Games and its subsidiaries ("**Phoenix Games Group**"), the amount raised was in a total of RMB100,000,000 in exchange for a total of 5% equity interests in Phoenix Games Group.

On 22 January 2018, Phoenix Games entered into a strategic investment agreement with 深圳市國宏嘉信信息科技有限公司 ("**GuoHong**"), its overseas investment arm China Prosperity Capital Alpha Limited and various parties. GuoHong invested a sum of RMB50,000,000 in return for a 2.5% equity interest (on a diluted basis) in Phoenix Games Group and the transaction was completed on 2 February 2018 ("**GuoHong Transaction**"). GuoHong is a private investment fund specializing in the mobile internet and pan entertainment industries of the Greater China region.

On 26 February 2018, Phoenix Games entered into another strategic investment agreement with 西藏明溪安同創業投資有限公司 ("**MingXi**") and various parties, the terms of which were similar to those of the GuoHong Transaction. Pursuant to the agreement, MingXi invested a sum of RMB30,000,000 in return for a 1.5% equity interest (on a diluted basis) in Phoenix Games Group ("**MingXi Transaction**"). MingXi is a subsidiary in an investment fund focusing on new technology and innovative enterprises with sustainable growth, high competitiveness and good corporate governance.

On 16 March 2018, Phoenix Games entered into another strategic investment agreement with 寧波信達華建投資有限公司 ("**XinDa**"), its overseas investment arm China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司) and various parties, the terms of which were similar to those of the GuoHong Transaction and the MingXi Transaction. Pursuant to the agreement, XinDa invested a sum of RMB20,000,000 in return for a 1% equity interest (on a diluted basis) in Phoenix Games Group and the transaction was completed on 18 April 2018. XinDa is a wholly-owned subsidiary of China Cinda Assets Management Co., Limited (中國信達資產管理股份有限公司), one of the most prestigious investment brands in China.

Change of Company Name of the Company

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

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

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

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

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

Continuing Connected Transaction between 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited) ("PMM") and 咪咕文化科技有限公司 (MIGU Cultural and Technology Co., Ltd.) ("MIGU")

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

Continuing Connected Transactions between PMM and its subsidiaries ("PMM Group") and CMCC Group

On 25 May 2018, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rules 14A.34 and 14A.51 of the Listing Rules to enter into a framework agreement with CMCC Group at the outset covering all future continuing connected transactions ("**PMM CCT**") in relation to the sale of advertising airtime on the outdoor LED Panels operated by or licensed to the PMM Group in the PRC with CMCC Group for promoting CMCC Group for the three years from 1 January 2018 to 31 December 2020, subject to the conditions disclosed in the Company's announcement dated 28 May 2018.

Members of the CMCC Group are regarded as connected persons of the Company under the Listing Rules. Given that the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps under the PMM CCT, which are RMB40,000,000, RMB45,000,000 and RMB50,000,000 for the respective year ending 31 December 2018, 2019 and 2020, is more than 0.1% but less than 5%, the PMM CCT for the three years ending 31 December 2020 will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 28 May 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company had not redeemed any shares of the Company (the "**Share(s)**"). Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such Directors or chief executives were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Ordinary Shares of the Company

Name	Number of ordinary shares held			Position	Approximate shareholding percentage as at 30 June 2018
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle *(Note 2)*	2,688,000	1,854,000,000	1,856,688,000	Long	37.18%

Notes:

1. As at 30 June 2018, the number of the issued Shares was 4,993,469,500.

2. As at 30 June 2018, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.13% of the issued share capital of the Company.

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

PNM

Name	Number of class A ordinary shares of PNM			Position	Approximate shareholding percentage as at 30 June 2018
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle *(Note 3)*	–	1,483,200	1,483,200	Long	0.56%

Notes:

1. As at 30 June 2018, the number of the issued class A ordinary shares of PNM (the "**PNM Shares**") was 264,335,266.

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

3. As at 30 June 2018, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 0.56% of the issued PNM Shares.

(3) Share Options

Name	Date of grant	Exercise period	Exercise price per Share *HK$*	Underlying Shares pursuant to the share options as at 30 June 2018
3 Executive Directors				
LIU Changle	2017.03.21	2018.03.21 to 2027.03.20	1.41	4,900,000
CHUI Keung	2017.03.21	2018.03.21 to 2027.03.20	1.41	3,900,000
WANG Ji Yan	2017.03.21	2018.03.21 to 2027.03.20	1.41	3,900,000
LIU Diandian#	2017.03.21	2018.03.21 to 2027.03.20	1.41	120,000

LIU Diandian is a daughter of LIU Changle

Save as disclosed above, so far as the Directors are aware, as at 30 June 2018, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(1) Share Option Schemes of the Company

(A) 2009 Share Option Scheme

On 19 June 2009, the shareholders of the Company (the "**Shareholders**") approved and adopted a share option scheme of the Company ("**2009 Share Option Scheme**"). On 7 February 2017, the Shareholders approved the cancellation of the outstanding share options granted to Directors and employees of the Group under the 2009 Share Option Scheme which have not been exercised or lapsed.

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

					Number of share options					
Type and number of remaining grantee	Date of grant	Vesting period	Exercise period	Exercise price per Share *HK$*	Balance as at 1 January 2018	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	Balance as at 30 June 2018
1 employee	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	250,000	–	(50,000)	–	–	200,000
Total:					250,000	–	(50,000)	–	–	200,000

During the Period, 50,000 options granted to 1 employee were lapsed when he/she ceased his/her employment with the Group.

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

(B) 2017 Share Option Scheme

On 7 February 2017, the Shareholders approved and adopted the 2017 share option scheme ("**2017 Share Option Scheme**") to grant options to those Directors and employees who accept the grant by agreeing to surrender and cancel their same number of existing options under the 2009 Share Option Scheme.

The details of share options granted by the Company under the 2017 Share Option Scheme to the Directors and employees of the Group to acquire the 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 2018	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	Balance as at 30 June 2018
3 Executive Directors										
LIU Changle	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	4,900,000	–	–	–	–	4,900,000
CHUI Keung	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000	–	–	–	–	3,900,000
WANG Ji Yan	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	3,900,000	–	–	–	–	3,900,000
LIU Diandian#	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	120,000	–	–	–	–	120,000
417 employees	2017.03.21	2017.03.21 to 2018.03.20	2018.03.21 to 2027.03.20	1.41	75,484,000	–	(370,000)	–	–	75,114,000
Total:					88,304,000	–	(370,000)	–	–	87,934,000

LIU Diandian is a daughter of LIU Changle

During the Period, 370,000 share options granted to 5 employees were lapsed when they ceased their employment with the Group.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the Period. No option was granted to the Directors, chief executives or substantial Shareholders of the Company, or their respective associates, or to the suppliers of goods or services under the 2017 Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the 2017 Share Option Scheme.

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

(A) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme of PNM, a subsidiary of the Company ("**PNM Share Option Scheme**") to grant share options to any executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service partners and contractors of PNM and/or its affiliates to acquire PNM Shares.

On 20 October 2016, the Shareholders approved the proposed grant of options under the PNM Share Option Scheme to holders of existing options as replacement options beyond the refreshed limit (i.e. 10% of PNM Shares in issue as at 20 October 2016).

The PNM Share Option Scheme expired on 20 June 2018 and thus no further options will be granted thereunder, but the provisions of the scheme in all other respects remain in full force and effect, and the options granted during the life of the PNM Share Option Scheme may continue to be exercisable in accordance with the terms of issue thereof.

During the Period, 1,800,600 options granted to 19 employees were lapsed and cancelled. The details and movements of the PNM Share Option Scheme are as follows:

				Number of share options					
Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM Share *US$*	Balance as at 1 January 2018	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	Balance as at 30 June 2018
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	1,998,477	–	–	–	(1,998,477)	–
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	–	–	–	(3,375)	–
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	–	–	–	(16,500)	–
	2008.07.04	2008.10.22-2018.05.25	0.03215	4,000	–	–	–	(4,000)	–
	2008.07.04	2008.10.23-2018.05.25	0.03215	6,750	–	–	–	(6,750)	–
	2008.07.04	2008.12.24-2018.05.25	0.03215	3,750	–	–	–	(3,750)	–
	2008.07.04	2009.03.10-2018.05.25	0.03215	5,500	–	–	–	(5,500)	–
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	–	–	–	(2,475)	–
	2008.07.04	2009.03.31-2018.05.25	0.03215	3,000	–	–	–	(3,000)	–
	2008.07.04	2009.04.01-2018.05.25	0.03215	450	–	–	–	(450)	–
	2008.07.04	2009.04.07-2018.05.25	0.03215	3,000	–	–	–	(3,000)	–
	2008.07.04	2009.04.09-2018.05.25	0.03215	3,000	–	–	–	(3,000)	–

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM Share US$	Number of share options: Balance as at 1 January 2018	Granted during the Period	Lapsed during the Period	Cancelled during the Period	Exercised during the Period	Balance as at 30 June 2018
	2008.07.04	2009.05.19-2018.05.25	0.03215	7,313	–	–	–	(7,313)	–
	2008.07.04	2009.05.26-2018.05.25	0.03215	33,087	–	–	–	(33,087)	–
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	–	–	–	(781,250)	–
	2009.07.31	2010.02.16-2018.05.25	0.03215	100,000	–	–	–	(100,000)	–
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	–	–	–	(5,250)	–
	2009.07.31	2010.05.18-2018.05.25	0.03215	96,001	–	–	–	(96,001)	–
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	–	–	–	(61,600)	–
	2009.09.15	2010.09.15-2018.05.25	0.03215	441,800	–	–	–	(441,800)	–
	2010.01.08	2011.01.08-2018.05.25	0.03215	104,400	–	–	–	(104,400)	–
	2010.07.01	2008.03.05-2018.05.25	0.03215	111,000	–	–	–	(111,000)	–
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	–	–	–	(26,000)	–
	2010.07.01	2011.07.01-2018.05.25	0.03215	52,000	–	–	–	(52,000)	–
	2013.03.15	2014.03.15-2023.03.14	0.445925	4,156,100	–	–	–	(250,000)	3,906,100
	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	–	–	–	–	2,900,000
	2013.10.01	2014.10.01-2023.09.30	0.78670	6,082	–	–	–	–	6,082
	2016.10.17	2017.10.17-2026.10.16	0.47340	7,288,972	–	(345,000)	–	(211,248)	6,732,724
	2016.10.21	2017.05.01-2020.07.06	0.48230	13,912,807	–	(535,600)	–	(250,628)	13,126,579
	2017.09.14	2018.09.14-2027.09.13	0.41490	6,617,000	–	(820,000)	–	–	5,797,000
	2017.11.24	2018.11.24-2027.11.23	0.53440	538,000	–	(50,000)	–	–	488,000
	2018.01.03	2018.01.03-2028.01.02	0.48230	–	2,134,500	–	–	–	2,134,500
	2018.01.03	2019.01.03-2028.01.02	0.63260	–	1,180,000	–	–	–	1,180,000
	2018.04.02	2019.04.02-2028.04.01	0.75130	–	390,000	(50,000)	–	–	340,000
Total:				39,288,939	3,704,500	(1,800,600)	–	(4,581,854)	36,610,985

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

(B) PNM 2018 Share Option Scheme

On 6 June 2018, the Shareholders approved the 2018 PNM Share Option Scheme ("**2018 PNM Share Option Scheme**") to grant options to selected eligible persons, being (i) any executive, employee or director of PNM and/or its affiliates; and (ii) any consultant, adviser, agent, business partner, joint venture partner, service provider, contractor who, as determined at the sole discretion of the PNM Board, has or may have contribution to PNM and/or its affiliates, as incentives or rewards for their contribution.

As at 30 June 2018, no share option was granted, exercised, lapsed or cancelled under the 2018 PNM Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of 2009 Share Option Scheme and 2017 Share Option Scheme, the relevant committee responsible to administer the share option schemes may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for Shares. The maximum number of Shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company.

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 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 OF THE COMPANY

As at 30 June 2018, so far as is known to the Directors and the chief executive of the Company, the interest of the Shareholders (not being Directors and the chief executive of the Company) in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

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

Name of substantial Shareholders	Number of Shares	Approximate shareholding percentage as at 30 June 2018
Today's Asia Limited *(Note 2)*	1,854,000,000	37.13%
Extra Step Investments Limited *(Note 3)*	983,000,000	19.69%
TPG China Media, L.P. *(Note 4)*	607,000,000	12.16%

Notes:

1. As at 30 June 2018, the number of issued Shares was 4,993,469,500.

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

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

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

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

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage as at 30 June 2018
China Wise International Limited *(Note 2)*	412,000,000	8.25%

Notes:

1. As at 30 June 2018, the number of issued Shares was 4,993,469,500.

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

Save as disclosed above, there was no person (other than the Directors or the chief executives of the Company) known to the Directors or the chief executives of the Company, who, as at 30 June 2018, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

ADVANCES TO AN ENTITY

Details of the relevant advance to an entity from the Group are set out in Note 16 to the unaudited condensed consolidated interim financial information.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

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

Mr. SUN Yanjun

Mr. SUN resigned from Xinyuan Real Estate Co., Ltd., which is listed on the New York Stock Exchange, as a non-executive director with effect from 15 May 2018.

Mr. SHA Yuejia

Mr. SHA resigned from China Mobile Limited, which is listed on the Main Board of the Stock Exchange, as an executive director and a vice president with effect from 17 May 2018.

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control processes. The risk management committee of the Company (the "**Risk Management Committee**") had monitored the progress on corporate governance practices, risk management and internal control systems of the Company throughout the Period under review.

The following summarises the corporate governance practices of the Company and explanations of deviations of the Code. Save as disclosed below, the Company has, throughout the Period, complied with the Code.

(1) Distinctive Roles of Chairman and the Chief Executive Officer

Code Provision

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

Deviation and its Reasons

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

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

Mr. LIU has also unconditionally and irrevocably undertaken to the Company that he shall use his best endeavours to ensure that his associates and the respective employees of his associates (except for those within the Group) observe the restrictions and undertakings contained in the Non-Competition Deed.

The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the Board committees, balance of power and authority can be ensured and therefore, there is no imminent need to change the arrangement.

(2) Appointments, Re-election and Removal

Code Provision

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election; and under the second limb of code provision A.4.2, 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 Reason

Apart from the two executive Directors, Mr. LIU Changle and Mr. CHUI Keung, no other Directors are currently appointed with specific terms.

According to the Articles of Association, the chairman of the Board (the "**Chairman**") 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 Mr. LIU Changle, all Directors are subject to retirement by rotation. The Board believes that consecutive appointment of the Chairman is beneficial to the direction and implementation of the Company's long term business planning and strategy, as such, the Board is in the view that the Chairman should not be subject to retirement by rotation.

Limited by the rotation requirement in the Articles of Association which "not greater than one-third of the Directors shall retire from office by rotation" and that "persons who became or were last re-elected Directors on the same day those to retire shall be determined by lot", one of the Directors was determined by lot to retire and re-elect at 4-years interval at the annual general meeting held on 6 June 2018 (the "**AGM**"), which deviated from code provision A.4.2. In terms of such deviation, the Board considers to amend its Articles of Association in compliance with code provision A.4.2.

(3) Effective Communications

Code Provision

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

Deviation and its Reason

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, it was confirmed that the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the Period.

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference based upon the guideline recommended by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code. The primary duties of the Audit Committee are to review the Company's annual report and accounts and half-year report and to provide advices and comments thereon to the Board. The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and to discuss auditing, risk management and internal control and financial reporting matters. The terms of reference of the Audit Committee was published on both the websites of the Company and the Stock Exchange.

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

During the Period under review, the Audit Committee and the Company's auditor, PricewaterhouseCoopers, had reviewed the unaudited condensed consolidated interim financial information for the Period and the related interim results announcement, and provided advices and comments thereto.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company for the Period is published on the website of the Stock Exchange at www.hkexnews.hk and the professional investor relation platform at www.irasia.com/listco/hk/phoenixtv. The interim report of the Company for the Period will be despatched to Shareholders and published on the abovementioned websites on or before 30 September 2018.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board has the pleasure of presenting the unaudited condensed consolidated financial information of the Group as at and for the six months ended 30 June 2018, together with the comparative figures for the corresponding period and relevant date in 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**1,836,813**	1,594,557
Operating expenses	*6*	**(1,402,187)**	(1,269,432)
Selling, general and administrative expenses	*6*	**(547,821)**	(456,891)
Other gains, net			
Fair value gain on investment properties		**59,400**	7,049
Other operating gain, net	*6*	**108,482**	285,776
Interest income		**39,240**	96,358
Interest expense		**(19,847)**	(23,807)
Share of profits less losses of associates		**11,545**	(13,701)
Share of profits less losses of joint ventures		**(5,001)**	(2,940)
Profit before income tax		**80,624**	216,969
Income tax expense	*7*	**(34,825)**	(12,908)
Profit for the period		**45,799**	204,061
(Loss)/profit attributable to:			
Owners of the Company		**(8,660)**	74,220
Non-controlling interests		**54,459**	129,841
		45,799	204,061
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company			
Basic (loss)/earnings per share, Hong Kong cents	*9*	**(0.17)**	1.49
Diluted (loss)/earnings per share, Hong Kong cents	*9*	**(0.17)**	1.49

The notes on pages 33 to 65 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**45,799**	204,061
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**183,957**	14,442
Fair value loss on available-for-sale financial assets	**—**	(31,758)
Total comprehensive income for the period	**229,756**	186,745
Total comprehensive income for the period attributable to:		
Owners of the Company	**107,116**	66,656
Non-controlling interests	**122,640**	120,089
	229,756	186,745

The notes on pages 33 to 65 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET — UNAUDITED
As at 30 June 2018

	Note	**As At 30 June 2018 *HK$'000***	As At 31 December 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	*10*	**8,916**	11,800
Lease premium for land	*11*	**210,468**	208,619
Property, plant and equipment, net	*12*	**1,082,663**	1,080,274
Investment properties	*13*	**1,702,799**	1,570,414
Intangible assets	*14*	**26,758**	26,960
Investments in joint ventures		**37,064**	40,027
Investments in associates		**93,669**	78,503
Financial assets at fair value through profit or loss	*17*	**1,545,400**	—
Available-for-sale financial assets	*18*	—	725,395
Conversion options for convertible redeemable preferred shares	*24*	—	721,002
Options for long-term investments	*24*	—	17,702
Other long-term assets		**60,232**	52,380
Deferred income tax assets		**103,150**	76,925
Pledged bank deposits	*23*	—	200,000
		4,871,119	4,810,001
Current assets			
Accounts receivable, net	*15*	**824,917**	940,240
Prepayments, deposits and other receivables	*16*	**989,284**	814,524
Inventories		**6,149**	7,493
Amounts due from related companies	*27*	**239,678**	333,610
Conversion options for convertible loan	*24*	—	19,513
Self-produced programmes		**11,178**	12,112
Purchased programme and film rights, net	*10*	**80**	147
Financial assets at fair value through profit or loss	*17*	**748,007**	24,406
Prepaid tax		**8,743**	8,971
Pledged bank deposits	*23*	**814,020**	581,666
Bank deposits		**605,206**	470,970
Restricted cash		**603**	587
Cash and cash equivalents		**1,514,196**	2,220,028
		5,762,061	5,434,267
Total assets		**10,633,180**	10,244,268

The notes on pages 33 to 65 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET — UNAUDITED
As at 30 June 2018

	Note	As At 30 June 2018 HK$'000	As At 31 December 2017 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*22*	**499,347**	499,347
Reserves		**4,958,434**	4,876,121
		5,457,781	5,375,468
Non-controlling interests		**2,030,703**	1,937,120
Total equity		**7,488,484**	7,312,588
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	*20*	**131,414**	329,215
Interest rate swap contracts	*24*	**—**	698
Financial liabilities at fair value through profit or loss	*17*	**1,418**	—
Other long-term liabilities		**5,103**	4,876
Loans from non-controlling shareholders of subsidiaries	*20*	**325,721**	251,252
Deferred income tax liabilities		**207,681**	185,976
		671,337	772,017
Current liabilities			
Accounts payable, other payables and accruals	*21*	**1,219,571**	1,336,620
Secured bank borrowings	*20*	**809,177**	596,507
Deferred income		**314,040**	109,029
Loans from non-controlling shareholders of a subsidiary	*20*	**65,936**	57,694
Current income tax liabilities		**64,635**	58,823
Interest rate swap contracts	*24*	**—**	990
		2,473,359	2,159,663
Total liabilities		**3,144,696**	2,931,680
Total equity and liabilities		**10,633,180**	10,244,268

The notes on pages 33 to 65 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Revaluation reserve *HK$'000*	Employee share-based payment reserve *HK$'000*	Retained earnings *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 31 December 2017	499,347	149,155	144,693	1,515,136	(38,032)	815	59,694	3,044,660	1,937,120	7,312,588
Change in accounting policy *(Note 29)*	—	—	—	—	—	(815)	—	815	—	—
Balance at 1 January 2018	499,347	149,155	144,693	1,515,136	(38,032)	—	59,694	3,045,475	1,937,120	7,312,588
Profit for the period	—	—	—	—	—	—	—	(8,660)	54,459	45,799
Other comprehensive income										
Currency translation differences	—	—	—	—	115,776	—	—	—	68,181	183,957
Total comprehensive income for the period	—	—	—	—	115,776	—	—	(8,660)	122,640	229,756
Transactions with owners										
Share option scheme										
— value of employee services	—	—	—	—	—	—	8,573	—	8,304	16,877
— lapse of share options	—	16	—	—	—	—	(16)	—	—	—
Dividends related to 2017	—	—	—	—	—	—	—	(49,935)	—	(49,935)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(52,044)	(52,044)
Allocation to statutory reserve	—	—	56	—	—	—	—	(56)	—	—
Deemed gain on disposal of partial interest in a subsidiary arising from issue of shares	—	—	—	25,101	—	—	—	—	(314)	24,787
Disposal of interests in a a subsidiary	—	—	—	—	—	—	—	—	498	498
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	—	—	—	(4,966)	—	—	(3,576)	—	14,499	5,957
Total transactions with owners	—	16	56	20,135	—	—	4,981	(49,991)	(29,057)	(53,860)
Balance at 30 June 2018	499,347	149,171	144,749	1,535,271	77,744	—	64,675	2,986,824	2,030,703	7,488,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital	Treasury share reserve	Share premium	Statutory reserve	Capital reserve	Exchange reserve	Revaluation reserve	Employee share-based payment reserve	Retained earnings	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	500,100	(5,042)	51,658	141,239	1,503,315	(145,513)	16,709	151,204	2,811,801	1,603,304	6,628,775
Profit for the period	—	—	—	—	—	—	—	—	74,220	129,841	204,061
Other comprehensive income											
Currency translation differences	—	—	—	—	—	10,046	—	—	—	4,396	14,442
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(17,610)	—	—	(14,148)	(31,758)
Total comprehensive income for the period	—	—	—	—	—	10,046	(17,610)	—	74,220	120,089	186,745
Transactions with owners											
Share option scheme											
— value of employee services	—	—	—	—	—	—	—	11,440	—	15,493	26,933
— cancellation and lapse of share options	—	—	106,328	—	—	—	—	(106,328)	—	—	—
Repurchase of shares	—	(4,512)	(30)	—	—	—	—	—	—	—	(4,542)
Cancellation of repurchase shares	(753)	9,554	(8,801)	—	—	—	—	—	—	—	—
Dividends related to 2016	—	—	—	—	—	—	—	—	(49,935)	—	(49,935)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(18,931)	(18,931)
Allocation to statutory reserve	—	—	—	1,344	—	—	—	—	(1,344)	—	—
Capital contribution from non-controlling interests	—	—	—	—	7,090	—	—	—	—	15,525	22,615
Deemed disposal of partial interest in a subsidiary arising from exercise of share options	—	—	—	—	(75)	—	—	(3)	—	86	8
Total transactions with owners	(753)	5,042	97,497	1,344	7,015	—	—	(94,891)	(51,279)	12,173	(23,852)
Balance at 30 June 2017	499,347	—	149,155	142,583	1,510,330	(135,467)	(901)	56,313	2,834,742	1,735,566	6,791,668

Note: The statutory reserve of the Group refers to the People's Republic of China ("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 STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**54,247**	34,026
Interest received	**32,569**	25,544
Interest paid	**(19,847)**	(23,807)
Hong Kong taxation refund	**228**	—
Overseas taxation paid	**(40,601)**	(39,295)
Net cash generated from/(used in) operating activities	**26,596**	(3,532)
Cash flows from investing activities		
Decrease in restricted cash	**—**	(9)
(Decrease)/increase in bank deposits	**(134,236)**	54,078
Decrease in pledged bank deposits	**(32,354)**	(105,437)
Purchase of intangible assets	**(5)**	(1,256)
Purchase of property, plant and equipment	**(65,720)**	(50,793)
Purchase of programme and film rights	**(1,369)**	(5,676)
Proceeds from disposal of property, plant and equipment	**1,142**	4,241
Loan to a related party	**—**	(84,969)
Investment income from financial assets at fair value through profit or loss	**503**	498
Investment income from bank deposits and pledged bank deposits	**3,197**	3,015
Investments in associates	**—**	(10,196)
Purchase of financial assets at fair value through profit or loss	**(598,069)**	—
Net cash inflows from deemed disposal of a subsidiary	**25,285**	—
Net cash used in investing activities	**(801,626)**	(196,504)
Cash flows from financing activities		
Dividends paid to owners of the Company	**(49,935)**	(49,935)
Proceeds from exercise of share options of a subsidiary	**5,957**	8
Drawdown of secured bank borrowings	**509,590**	531,199
Repayment of secured bank borrowings	**(531,161)**	(562,266)
Loans from non-controlling shareholders of subsidiaries	**68,288**	5,836
Capital contribution from non-controlling shareholders of a subsidiary	**—**	22,615
Dividends paid to non-controlling interests	**(52,044)**	(18,931)
Payment for repurchase of shares of a subsidiary	**—**	(4,542)
Net cash used in financing activities	**(49,305)**	(76,016)
Net decrease in cash and cash equivalents	**(824,335)**	(276,052)
Cash and cash equivalents at beginning of period	**2,220,028**	2,283,990
Net exchange gains on cash and cash equivalents	**118,503**	656
Cash and cash equivalents at end of period	**1,514,196**	2,008,594

The notes on pages 33 to 65 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION — UNAUDITED

1 GENERAL INFORMATION

Phoenix Media Investment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") engage in satellite television broadcasting activities and provision of internet media services.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in the Hong Kong Special Administrative Region of the People's Republic of China ("PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 17 August 2018.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 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. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(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 2017 as described in those annual financial statements.

(a) Effect of adopting new amendments to standards

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2018.

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration
HKAS 40 (Amendments)	Transfers of Investment Property
Annual Improvements	Annual Improvements 2014-2016 Cycle

Except for HKFRS 9 and HKFRS 15, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact to the Group's condensed consolidated interim financial information in the current and prior periods. The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 29 below.

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 December 2018 and have not been early adopted by the Group

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation (1)
HKFRS 16	Leases (1)
HKFRS 17	Insurance Contracts (2)
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures (1)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)
HK (IFRIC) 23	Uncertainty over Income Tax Treatments (1)
Annual Improvements	Annual Improvements 2015-2017 Cycle (1)

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

HKFRS 16 — Leases

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangement and accounting treatment for both lessors and lessees. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

Other than HKFRS 16, the Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflow for financial liabilities.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted pries included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The Finance Department reviews the valuations of the financial instruments, including the convertible redeemable preferred shares ("Preferred Shares") which are categorised into Level 3 of the fair value hierarchy. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Trading equity securities	22,468	—	—	22,468
— Convertible redeemable preferred shares	—	—	1,501,118	1,501,118
— Convertible loans	—	—	132,209	132,209
— Unlisted equity securities	—	—	25,754	25,754
— Interests rate swap contracts	—	1,442	—	1,442
— Options for long-term investments	—	—	18,528	18,528
— Structured deposits	—	591,888	—	591,888
	22,468	593,330	1,677,609	2,293,407
Liabilities				
Financial liabilities at fair value through profit or loss				
— Currency swap contracts	—	(1,418)	—	(1,418)
	—	(1,418)	—	(1,418)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Trading equity securities	24,406	—	—	24,406
Available-for-sale financial assets				
— Preferred shares				
— debt component	—	—	705,712	705,712
— Equity securities	—	—	19,683	19,683
Derivative financial instruments				
— Convertible options for convertible redeemable preferred shares	—	—	721,002	721,002
— Convertible options for convertible loans	—	—	19,513	19,513
— Options for long-term investments	—	—	17,702	17,702
	24,406	—	1,483,612	1,508,018
Liabilities				
Derivative financial instruments				
— Interest rate swap contracts	—	(1,688)	—	(1,688)
	—	(1,688)	—	(1,688)

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the six months ended 30 June 2018, there were no changes in valuation techniques and reclassifications of financial assets and liabilities other than the adoption of HKFRS 9 (six months ended 30 June 2017: Nil). Details of impact on change in accounting policy as a result of adopting HKFRS 9 are set out in Note 29.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. As at 30 June 2018, instruments included in Level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$22,468,000 (as at 31 December 2017: HK$24,406,000) (Note 17).

(b) ***Financial instruments in Level 2***

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(c) ***Financial instruments in Level 3***

(1) Quantitative information about fair value measurements using significant unobservable inputs for major financial instruments in Level 3

Description	**Fair value at 30 June 2018** *HK$'000*	**Valuation technique(s)**	**Unobservable inputs**	**Value of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Convertible redeemable preferred shares	**1,501,118**	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of Marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	45%	The lower the volatility, the higher the fair value
			Revenue growth rate	5%-96%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options for long-term investments	**18,528**	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	35%	The lower the discount rate, the higher the fair value
Convertible loans	**132,209**	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	12.7%	The lower the discount rate, the higher the fair value

Description	Fair value at 31 December 2017 *HK$'000*	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Preferred Shares (comprising debt component of HK$705,712,000 and derivative component of conversion options of HK$721,002,000)	1,426,714	Discounted cash flow method	Discount rate	23%	The lower the discount rate, the higher the fair value
			Lack of Marketability discount ("DLOM")	25%	The lower the DLOM, the higher the fair value
			Volatility	45%	The lower the volatility, the higher the fair value
			Revenue growth rate	5%-94%	The higher the revenue growth rate, the higher the fair value
			Terminal growth rate	3%	The higher the terminal growth rate, the higher the fair value
Options for long-term investments	17,702	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	35%	The lower the discount rate, the higher the fair value
Conversion options for convertible loans	19,513	Various techniques (including discounted cash flow method, option-pricing method and binomial model)	Discount rate	12.7%	The lower the discount rate, the higher the fair value

The convertible redeemable preferred shares represent investments in Series B convertible redeemable preferred shares, Series C convertible redeemable preferred shares and Series D1 convertible redeemable preferred shares as at 30 June 2018 and 31 December 2017 (see Note 28 for details).

An independent professional valuer adopted the discounted cash flow ("DCF") method to first estimate the equity value of Particle Inc., which was then allocated to Particle Inc.'s common shares and Preferred Shares using the option-pricing and binomial models.

The following table presents the changes in level 3 instruments during the six months ended 30 June 2018 and year ended 31 December 2017. The carrying value of derivative component of the Preferred Shares recognised in the condensed consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares.

	Equity securities	**Convertible loans**	**Options for long-term investments**	**Convertible redeemable preferred shares**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening balance on 1 January 2018	**19,683**	**135,265**	**17,702**	**1,426,714**	**1,599,364**
Additions	**5,741**	—	—	—	**5,741**
Gains and losses recognized in profit or loss	—	**(3,810)**	—	**66,286**	**62,476**
Currency translation differences	**330**	**754**	**826**	**8,118**	**10,028**
Closing balance on 30 June 2018	**25,754**	**132,209**	**18,528**	**1,501,118**	**1,677,609**

	Equity Securities	Convertible options for convertible loans	Options for long-term investment	Preferred Shares					
				Debt component	Gross	Derivative component (convertible options) Deferred day one gain	Net	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening balance on 1 January 2017	11,986	10,860	17,812	605,849	444,615	(4,354)	440,261	1,086,768
Additions	7,068	—	—	—	—	—	—	7,068
Losses recognised in other comprehensive income	—	—	—	(28,635)	—	—	—	(28,635)
Gains and losses recognized in profit or loss	—	7,977	(856)	—	275,299	—	275,299	282,420
Interest income	—	—	—	124,529	—	—	—	124,529
Amortisation of deferred day one gain in profit or loss	—	—	—	—	—	2,075	2,075	2,075
Currency translation differences	629	676	746	3,969	3,367	—	3,367	9,387
Closing balance on 31 December 2017	19,683	19,513	17,702	705,712	723,281	(2,279)	721,002	1,483,612
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	—	7,977	(856)	—	275,299	2,075	277,374	284,495
Changes in unrealised losses for the year included in other comprehensive income at the end of the year	—	—	—	(28,635)	—	—	—	(28,635)

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

	Revenue growth rate 10% increase or decrease	Terminal growth rate 1% increase or decrease	Discount rate 3% increase or decrease	DLOM 3% increase or decrease	Volatility 5% increase or decrease
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2018					
Preferred Shares	**317,196/ (285,687)**	**62,954/ (57,473)**	**(286,984)/ 397,201**	**(60,633)/ 60,106**	**(104,025)/ 4,441**
Year ended 31 December 2017					
Preferred Shares	312,676/ (283,332)	61,185/ (54,649)	(293,911)/ 405,095	(63,903)/ 64,281	(3,958)/ 111,205

No sensitivity analysis for options amounting to HK$18,528,000 (2017: HK$17,702,000) and convertible loans amounting to HK$132,209,000 as of 30 June 2018 (2017: conversion option only of HK$19,513,000) is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

4.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted cash, bank deposits, pledged bank deposits, accounts receivable, deposits and other receivables, amounts due from related companies, loans from non-controlling shareholders of a subsidiary, accounts payable, other payables and accruals, approximate their fair values due to their short maturities.

For the fair values of borrowings, please refer to Note 20.

5 SEGMENTAL INFORMATION

Operating segments have been determined based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective.

The Group has five main operating segments including:

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

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

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

(ii) Internet media — provision of website portal and value-added telecommunication services;

(iii) Outdoor media — provision of outdoor advertising services;

(iv) Real estate — property development and investment (mainly Phoenix International Media Centre in Beijing); and

(v) Other activities — programme production and ancillary services, merchandising services, magazine publication and distribution, and other related services.

	Period ended 30 June 2018								
	Television broadcasting								
	Primary channels *HK$'000*	**Others** *HK$'000*	**Sub-total** *HK$'000*	**Internet media** *HK$'000*	**Outdoor media** *HK$'000*	**Real estate** *HK$'000*	**Other activities** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Group** *HK$'000*
Revenue									
External sales	503,174	47,819	550,993	819,416	383,574	28,291	54,539	—	1,836,813
Inter-segment sales *(Note c)*	—	18,335	18,335	6,980	—	2,608	6,033	(33,956)	—
Total revenue	503,174	66,154	569,328	826,396	383,574	30,899	60,572	(33,956)	1,836,813
Timing of revenue recognition									
At a point in time	1,500	20,439	21,939	86,572	57	—	22,159	(21,921)	108,806
Over time	501,674	45,715	547,389	739,824	383,517	—	38,413	(12,035)	1,697,108
Revenue from other source	—	—	—	—	—	30,899	—	—	30,899
	503,174	66,154	569,328	826,396	383,574	30,899	60,572	(33,956)	1,836,813
Segment results	76,686	(23,113)	53,573	53,503	60,722	43,694	(36,472)	—	175,020
Unallocated income *(Note a)*									47,542
Unallocated expenses *(Note b)*									(148,482)
Profit before share of results of joint ventures, associates, income tax and non-controlling interests									74,080
Share of profits less losses of joint ventures									(5,001)
Share of profits less losses of associates									11,545
Income tax expense									(34,825)
Profit for the period									45,799
Non-controlling interests									(54,459)
Loss attributable to owners of the Company									(8,660)
Depreciation	(9,044)	(7,589)	(16,633)	(18,771)	(16,489)	(18,310)	(3,585)	—	(73,788)
Unallocated depreciation									(20,498)
									(94,286)
Interest income	—	713	713	29,868	1,692	22	813	—	33,108
Unallocated interest income									6,132
									39,240
Interest expenses	—	(35)	(35)	(9,814)	—	(6,377)	—	—	(16,226)
Unallocated interest expenses									(3,621)
									(19,847)
Provision for impairment of accounts receivable	—	—	—	(20,761)	(3,187)	—	—	—	(23,948)
Reversal of provision for impairment of accounts receivable	—	—	—	11,470	—	—	—	—	11,470

5 SEGMENTAL INFORMATION *(Continued)*

	Period ended 30 June 2017								
	Television broadcasting								
	Primary channels *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Internet media *HK$'000*	Outdoor media *HK$'000*	Real estate *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Revenue									
External sales	498,611	52,732	551,343	740,620	260,248	6,143	36,203	—	1,594,557
Inter-segment sales *(Note c)*	—	18,397	18,397	—	—	2,521	493	(21,411)	—
Total revenue	498,611	71,129	569,740	740,620	260,248	8,664	36,696	(21,411)	1,594,557
Segment results	95,351	(20,583)	74,768	324,337	(2,223)	(26,306)	(29,592)	—	340,984
Unallocated income *(Note a)*									24,846
Unallocated expenses *(Note b)*									(132,220)
Profit before share of results of joint ventures, associates, income tax and non-controlling interests									233,610
Share of profits less losses of joint ventures									(2,940)
Share of profits less losses of associates									(13,701)
Income tax expense									(12,908)
Profit for the period									204,061
Non-controlling interests									(129,841)
Profit attributable to owners of the Company									74,220
Depreciation	(13,270)	(8,166)	(21,436)	(22,154)	(14,399)	(18,076)	(2,001)	—	(78,066)
Unallocated depreciation									(20,959)
									(99,025)
Interest income	—	207	207	89,624	1,410	47	340	—	91,628
Unallocated interest income									4,730
									96,358
Interest expenses	—	(36)	(36)	(14,431)	—	(6,793)	—	—	(21,260)
Unallocated interest expenses									(2,547)
									(23,807)
Impairment of property, plant and equipment	—	—	—	—	(2,979)	—	—	—	(2,979)
Provision for impairment of accounts receivable	—	—	—	—	(1,974)	—	—	—	(1,974)
Reversal of provision for impairment of accounts receivable	—	—	—	3,214	—	—	—	—	3,214

Notes:

(a) Unallocated income represents exchange gain, interest income, fair value gain on financial assets (realised and unrealised) and investment income.

(b) Unallocated expenses represent primarily:

— corporate staff costs;
— office rental;
— general administrative expenses;
— marketing and advertising expenses that relate to the Group as a whole;
— exchange loss; and
— fair value loss on financial assets.

(c) Sales between segments are carried out based on terms determined by management with reference to market prices.

6 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	
	2018	2017
	HK$'000	*HK$'000*
Crediting		
Reversal of provision for impairment of accounts receivable	**(11,470)**	(3,214)
Gain on disposal of property, plant and equipment	**(1,012)**	(3,516)
Charging		
Production costs of self-produced programmes	**95,585**	82,168
Commission expenses	**197,002**	172,994
Bandwidth costs	**34,584**	31,766
Provision for impairment of accounts receivable	**23,948**	1,974
Employee benefit expenses (including Directors' emoluments)	**638,491**	594,257
Operating lease rental in respect of		
— Directors' quarters	**936**	943
— Land and buildings of third parties	**40,218**	30,174
— LED panels	**111,924**	98,441
Loss on disposal of property, plant and equipment	**—**	3,191
Amortisation of purchased programme and film rights	**4,312**	5,965
Amortisation of intangible assets	**883**	952
Amortisation of lease premium for land	**2,962**	2,836
Depreciation of property, plant and equipment	**94,286**	99,025

Other operating gain, net comprise the following items:

	For the six months ended 30 June 2018 *HK$'000*	2017 *HK$'000*
Exchange gain/(losses), net	**38,718**	(3,474)
Investment income	**3,700**	3,513
Fair value gain on derivative financial instruments	**—**	276,478
Fair value gain on financial assets at fair value through profit or loss	**62,250**	3,175
Others, net	**3,814**	6,084
	108,482	285,776

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profit for the period. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated income statement represents:

	For the six months ended 30 June 2018 *HK$'000*	2017 *HK$'000*
Current income tax		
— Hong Kong profits tax	**87**	10,610
— PRC and overseas taxation	**45,182**	11,833
Deferred income tax	**(10,444)**	(9,535)
	34,825	12,908

8 DIVIDENDS

A dividend of HK$49,935,000 that relates to the period to 31 December 2017 was paid in June 2018 (six months ended 30 June 2017: HK$49,935,000).

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9 (LOSS)/EARNINGS PER SHARE

Basic

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

	For the six months ended 30 June **2018**	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(8,660)**	74,220
Weighted average number of ordinary shares in issue ('000)	**4,993,470**	4,996,948
Basic (loss)/earnings per share (Hong Kong cents)	**(0.17)**	1.49

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary, ordinary shares issuable upon the restricted share units of a subsidiary (six months ended 30 June 2017: share options of the Company and a subsidiary, ordinary shares issuable upon the restricted share units of a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted (loss)/earnings per share. The impact of the dilutive instruments of the subsidiary is not material to the Group's diluted (loss)/earnings per share.

	For the six months ended 30 June **2018**	2017
(Loss)/profit attributable to owners of the Company used to determine diluted (loss)/earnings per share (HK$'000)	**(8,660)**	74,220
Weighted average number of ordinary shares in issue ('000)	**4,993,470**	4,996,948
Adjustment for share options of the Company ('000)	**—**	25
Weighted average number of ordinary shares for diluted (loss)/earnings per share ('000)	**4,993,470**	4,996,973
Diluted (loss)/earnings per share (Hong Kong cents)	**(0.17)**	1.49

10 PURCHASED PROGRAMME AND FILM RIGHTS, NET

	For the six months ended 30 June 2018 *HK$'000*	For the year ended 31 December 2017 *HK$'000* (Audited)
Balance, beginning of period/year	**11,947**	15,117
Additions	**1,369**	9,842
Amortisation	**(4,312)**	(12,256)
Others	**(8)**	(756)
Balance, end of period/year	**8,996**	11,947
Less: Purchased programme and film rights — current portion	**(80)**	(147)
	8,916	11,800

11 LEASE PREMIUM FOR LAND

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

	For the six months ended 30 June 2018 *HK$'000*	For the year ended 31 December 2017 *HK$'000* (Audited)
Balance, beginning of period/year	**208,619**	210,179
Amortisation	**(2,962)**	(5,725)
Currency translation differences	**4,811**	4,165
Balance, end of period/year	**210,468**	208,619

(a) Included in the net book value as of 30 June 2018 is an amount of HK$106,455,000 (as at 31 December 2017: HK$103,235,000) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre.

(b) Included in the net book value as of 30 June 2018 is an amount of HK$13,328,000 (as at 31 December 2017: HK$13,531,000) which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Shenzhen Land Bureau") to the Shenzhen Land Bureau to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square metres in China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 30 June 2018, 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.

12 PROPERTY, PLANT AND EQUIPMENT, NET

	For the six months ended 30 June 2018	For the year ended 31 December 2017
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**1,080,274**	1,160,842
Additions	**65,720**	92,009
Currency translation differences	**31,085**	34,581
Disposals	**(130)**	(8,325)
Depreciation	**(94,286)**	(194,466)
Impairment	**—**	(4,367)
Balance, end of period/year *(Note a)*	**1,082,663**	1,080,274

(a) Included in the net book value as of 30 June 2018 is an amount of HK$23,034,000 (as at 31 December 2017: HK$23,384,000) which relates to the Group's entitlement to use 10,000 square metres in the Shenzhen Building. As at 30 June 2018, the cost was HK$30,848,000 (as at 31 December 2017: HK$30,848,000) with a net book value of HK$23,034,000 (as at 31 December 2017: HK$ 23,384,000). As at 30 June 2018, the Group was still in the process of obtaining the title certificate to the 8,500 square metres of the entitled areas through the payment of land premium and taxes (see Note 11(b)).

(b) As of 30 June 2018, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of non-compliance with laws and regulations is remote.

13 INVESTMENT PROPERTIES

	For the six months ended 30 June 2018	For the year ended 31 December 2017
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**1,570,414**	1,464,088
Fair value gain	**59,400**	44,868
Currency translation differences	**72,985**	61,458
Balance, end of period/year	**1,702,799**	1,570,414

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of its investment properties and has fair valued the portion of the investment property of the Phoenix International Media Centre and the investment property in London. The portion of the investment property of the Phoenix International Media Centre and the investment property in United Kingdom ("UK") were valued by Vigers Appraisal and Consulting Limited and Lambert Smith Hampton respectively, which are independent appraisers. Fair value gain of approximately HK$59,400,000 (six months ended 30 June 2017: gain of HK$7,049,000) was recognised in the condensed consolidated income statement for the six months ended 30 June 2018.

(i) Fair value hierarchy

Description	**Fair value measurements at 30 June 2018 using significant unobservable inputs (Level 3)**	Fair value measurements at 31 December 2017 using significant unobservable inputs (Level 3)
	HK$'000	*HK$'000*
Recurring fair value measurements		
Investment properties		
— Phoenix International Media Centre		
— The PRC	**1,686,881**	1,555,092
— Commercial — UK	**15,918**	15,322

(ii) Valuation techniques

For the investment property in UK with a carrying amount of HK$15,918,000 (as at 31 December 2017: HK$ 15,322,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed at least once every six months by a qualified valuer using income capitalisation approach.

Income capitalisation approach is based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow profile. The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions including open market rents, appropriate capitalisation rate and reversionary income potential.

In addition, the investment property in the PRC has a carrying value of HK$1,686,881,000 (as at 31 December 2017: HK$1,555,092,000). The fair value of this investment property is determined using the information from the valuation performed by an external professional valuer using the direct comparison method. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved.

There were no changes in valuation techniques during the six months ended 30 June 2018 (2017: None).

(iii) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value 30 June 2018** *(HK$'000)*	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Phoenix International Media Centre — The PRC	**1,686,881**	Direct comparison	Adjusted average price of HK$38,620 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial — UK	**15,918**	Income capitalization approach	Estimated rental value of HK$4,197 per annum per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7%	The higher the reversionary yield, the lower the fair value

Description	Fair value 31 December 2017 *(HK$'000)*	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre — The PRC	1,555,092	Direct comparison	Adjusted average price of HK$35,602 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial — UK	15,322	Income capitalization approach	Estimated rental value of HK$4,048 per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7%	The higher the reversionary yield, the lower the fair value

(b) Deferred tax

The investment property in the PRC is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property through use. The Group has measured the deferred tax relating to the temporary differences of the investment property using the tax rate and the tax bases that are consistent with the expected manner of recovery of the investment property.

14 INTANGIBLE ASSETS

	For the six months ended 30 June 2018	For the year ended 31 December 2017
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**26,960**	25,872
Additions	**5**	9,355
Amortisation	**(883)**	(9,073)
Currency translation differences	**676**	806
Balance, end of period/year	**26,758**	26,960

(a) As at 30 June 2018, goodwill arising from the acquisition of a subsidiary amounted to HK$8,733,000 (as at 31 December 2017: HK$8,733,000). There was no impairment charge recognised during the six months ended 30 June 2018 (2017: Nil).

(b) Certain of the Group's new media subsidiaries are in the process of applying for certain licenses for the operation of their businesses, including internet audio-visual program transmission license and internet news license.

15 ACCOUNTS RECEIVABLE, NET

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000* (Audited)
Accounts receivable	**954,770**	1,052,510
Less: Provision for impairment	**(129,853)**	(112,270)
	824,917	940,240

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 16). The Group generally requires customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

As at 30 June 2018, the ageing analysis of accounts receivable based on the invoice dates is as follows:

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
0-30 days	**273,372**	316,041
31-60 days	**162,494**	199,573
61-90 days	**123,174**	131,337
91-120days	**75,678**	85,604
Over 120 days	**320,052**	319,955
	954,770	1,052,510
Less: Provision for impairment of receivables	**(129,853)**	(112,270)
	824,917	940,240

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

Included in accounts receivable is an amount of approximately HK$81,306,000 (as at 31 December 2017: HK$60,566,000), representing the contract asset of the Group as at 30 June 2018.

The Group has recognised a loss of HK$23,948,000 (six months ended 30 June 2017: HK$1,974,000) for the impairment of its accounts receivable during the six months ended 30 June 2018. The loss has been included in selling, general and administrative expenses in the condensed consolidated income statement. The Group has made reversal of provision of HK$11,470,000 (six months ended 30 June 2017: HK$3,214,000) of the provision for impairment of receivables made in prior years during the six months ended 30 June 2018.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$510,504,000 (as at 31 December 2017: HK$432,203,000) owing from an advertising agent, Shenzhou Television Company Limited ("Shenzhou"), in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group.

Pursuant to a service agreement signed between Shenzhou and the Group dated 12 March 2002 and latest revised on 5 June 2015, Shenzhou agreed to deposit the advertising revenue it had collected prior to the execution of that agreement and to be collected in the future in one or more than one specific trust bank accounts in the PRC, which together with any interest generated from such bank account(s) (based on prevailing commercial interest rates) would be held in trust on behalf of the Group and handled according to the Group's instructions. No additional interest will be charged by the Group on the balance.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangements such as that of the Group with Shenzhou, therefore the extent of the enforceability of the arrangement is still unclear. Although the management recognises that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately HK$510,504,000 as at 30 June 2018 (as at 31 December 2017: HK$ 432,203,000) is fully recoverable and no provision is required. The balance is repayable on demand and not pledged.

17 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Non-current assets		
Convertible redeemable preferred shares	**1,501,118**	—
Option for long term investments	**18,528**	—
Unlisted equity securities	**25,754**	—
	1,545,400	—
Current assets		
Trading equity securities	**22,468**	24,406
Structured deposits	**591,888**	—
Convertible loan	**132,209**	—
Interest rate swap contract	**1,442**	—
	748,007	24,406
Non-current liability		
Currency swap contract	**(1,418)**	—

As at 30 June 2018, the trading equity securities represent the shares of HSBC of HK$22,468,000 (as at 31 December 2017: HK$ 24,406,000) that are held for trading.

Changes in fair value of financial assets at fair value through profit or loss are recognised in "Other operating gain, net" in the condensed consolidated income statement (Note 6).

Details of convertible redeemable preferred shares are disclosed in Note 28 while details of impact on change in accounting policy as a result of adopting HKFRS 9 are set out in Note 29.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Balance, beginning of period/year	**725,395**	617,835
Change in accounting policy	**(725,395)**	—
Additions	**—**	7,068
Fair value gain	**—**	(28,635)
Interest income	**—**	124,529
Currency translation differences	**—**	4,598
Balance, end of period/year	**—**	725,395

Details of impact on change in accounting policy as a result of adopting HKFRS 9 are set out in Note 29.

Available-for-sale financial assets include the following:

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Unlisted securities:		
— Preferred Shares — debt component	—	705,712
— Equity securities	—	19,683
	—	725,395

19 BANKING FACILITIES

As at 30 June 2018, the Group has undrawn banking facilities of HK$80,378,000 (as at 31 December 2017: HK$72,933,000).

20 BORROWINGS

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Secured bank borrowings *(Note a)*	**940,591**	925,722
Loans from non-controlling shareholders of subsidiaries *(Note b)*	**391,657**	308,946
	1,332,248	1,234,668

(a) Secured bank borrowings

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Non-current		
Long-term secured bank borrowings	**131,414**	329,215
Current		
Current portion of long-term secured bank borrowings	**809,177**	596,507
Total secured bank borrowings	**940,591**	925,722

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
The secured bank borrowings are repayable as follows:		
— Within one year	**809,177**	596,507
— More than one year but not exceeding two years	**61,655**	233,015
— More than two years but not exceeding five years	**67,820**	94,248
— More than five years	**1,939**	1,952
	940,591	925,722

Bank borrowings of HK$178,800,000 (as at 31 December 2017: HK$188,496,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$106,000,000 (as at 31 December 2017: HK$103,000,000), HK$415,000,000 (as at 31 December 2017: HK$412,000,000) and HK$1,687,000,000 (as at 31 December 2017: HK$1,555,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively as at 30 June 2018. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.48% (as at 31 December 2017: 6.48%) annually.

A bank borrowing of HK$1,939,000 (as at 31 December 2017: HK$1,952,000) is secured by a property in the United States with carrying value of approximately HK$2,747,000 (as at 31 December 2017: HK$2,751,000) recorded in property, plant and equipment as at 30 June 2018. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59 % annually (as at 31 December 2017: 3.59%) annually.

Bank borrowings of HK$759,852,000 (as at 31 December 2017: HK$735,273,000) are secured by bank deposits of HK$814,020,000 (as at 31 December 2017: HK$781,666,000) as at 30 June 2018 (Note 23).

(b) Loans from non-controlling shareholders of subsidiaries

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries	**325,721**	251,252
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**65,936**	57,694
Total loans from non-controlling shareholders of subsidiaries	**391,657**	308,946

	As at 30 June 2018 *HK$'000*	As at 31 December 2017 *HK$'000* (Audited)
The loans from non-controlling shareholders of subsidiaries are repayable as follows:		
— Within one year	**65,936**	57,694
— More than one year but not exceeding two years	**143,506**	77,163
— More than two years but not exceeding five years	**162,486**	155,239
— More than five years	**19,729**	18,850
	391,657	308,946

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (as at 31 December 2017: same).

(c) The carrying amounts and fair values of the borrowings are as follows:

	Group			
	Carrying amount		**Fair value**	
	As at 30 June 2018	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Secured bank borrowings	**940,591**	925,722	**940,591**	925,722
Loans from non-controlling shareholders of subsidiaries	**391,657**	308,946	**360,384**	272,171
	1,332,248	1,234,668	**1,300,975**	1,197,893

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.48% (as at 31 December 2017: 6.48%) and are within level 2 of the fair value hierarchy.

21 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000* (Audited)
Accounts payable	**377,500**	380,722
Other payables and accruals	**842,071**	955,898
	1,219,571	1,336,620
Less: Non-financial liabilities	**(10,007)**	(13,996)
	1,209,564	1,322,624

As at 30 June 2018, the ageing analysis of accounts payable based on its invoice dates is set out below:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000* (Audited)
0-30 days	**77,167**	240,858
31-60 days	**33,516**	17,393
61-90 days	**25,469**	10,275
91-120 days	**29,918**	7,276
Over 120 days	**211,430**	104,920
	377,500	380,722

22 SHARE CAPITAL

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Number of Shares	**Amount** *HK$'000*	Number of Shares	Amount *HK$'000*
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:				
At 1 January	**4,993,469,500**	**499,347**	5,000,999,500	500,100
Exercise of share options	**—**	**—**	—	—
Cancellation of repurchased shares	**—**	**—**	(7,530,000)	(753)
End of period/year	**4,993,469,500**	**499,347**	4,993,469,500	499,347

23 PLEDGED BANK DEPOSITS

As at 30 June 2018, two bank deposits of approximately HK$435,458,000 (as at 31 December 2017: HK$385,000,000) bearing fixed interest rates ranging from 1.8% to 3.59% (as at 31 December 2017: 1.52% to 1.8%) per annum, are pledged to a bank to secure two bank borrowings of approximately HK$380,000,000 (as at 31 December 2017: HK$346,500,000) (Note 20(a)). The bank borrowings bear interests ranging from HIBOR plus 0.45% per annum (as at 31 December 2017: HIBOR plus 0.45% per annum). The Group has entered into two interest rate swap contracts with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation ranging from 1.66% to 3.375% per annum (as at 31 December 2017: 1.4% to 1.66% per annum). The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 30 June 2018, the fair values of the outstanding currency swap contract of HK$1,418,000 (as at 31 December 2017: Nil) and interest rate swap contract HK$1,442,000 (as at 31 December 2017: current liabilities of HK$990,000) have been recorded as financial assets/liabilities at fair value through profit or loss under non-current liabilities and current assets respectively in the condensed consolidated balance sheet (Notes 17 and 24).

As at 30 June 2018, RMB denominated short-term bank deposits of approximately HK$378,562,000 (as at 31 December 2017: HK$396,666,000) bearing fixed interest rates of 2.1% per annum (as at 31 December 2017: 2.10% per annum), is pledged to a bank to secure RMB denominated short-term bank borrowings of approximately HK$379,853,000 (as at 31 December 2017: HK$388,773,000). The bank borrowing bears interest rates ranging from 3.30% to 5.50% per annum.

The fair values of pledged bank deposits approximate their carrying amounts.

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	As at 30 June 2018	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Convertible option for convertible redeemable preferred shares	—	721,002	—	—
Convertible option for convertible loan	—	19,513	—	—
Options for long-term investment	—	17,702	—	—
Interest rate swap contracts *(Note 23)*	—	—	—	(1,688)
Total	—	758,217	—	(1,688)
Less: non-current portion				
— Convertible option for convertible redeemable preferred shares	—	(721,002)	—	—
— Interest rate swap contract	—	—	—	698
— Options for long-term investment	—	(17,702)	—	—
Current portion				
— Interest rate swap contract	—	—	—	(990)
Convertible option for convertible loan	—	19,513	—	—
	—	19,513	—	(990)
Balance, beginning of period/year	**758,217**	468,933	**(1,688)**	(1,802)
Change in accounting policy	**(758,217)**	—	**1,688**	—
Fair value gain, net	—	284,495	—	114
Currency translation differences	—	4,789	—	—
Balance, end of year	—	758,217	—	(1,688)

Details of impact on change in accounting policy are set out in Note 29.

25 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the six months ended 30 June 2018, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 54.96% to 54.53%. The Group recognized a deemed net loss of approximately HK$4,966,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$14,499,000.

During the six months ended 30 June 2017, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased by 0.003%. The Group recognised a deemed net loss of approximately HK$75,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$86,000.

26 COMMITMENTS

As at 30 June 2018, the Group had capital commitments as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (Audited)
Contracted but not provided for	**40,739**	48,146

27 RELATED PARTY TRANSACTIONS

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

	Note	For the six months ended 30 June 2018 HK$'000	2017 HK$'000
Service charges received/receivable from China Mobile Communications Group Co., Ltd. and its subsidiaries (the "CMCC Group")	*a, b*	**64,387**	57,255
Service charges paid/payable to the CMCC Group	*a, c*	**37,514**	23,718
Advertising sales to the CMCC Group	*a, d*	**11,475**	15,262
License fee received/receivable from 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co. Ltd.) ("LLT")	*e, f*	**15**	90
Advertising sales to LLT	*e, g*	**13**	6,736
Key management compensation	*iii*	**15,230**	15,151

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns approximately 19.69% of the issued share capital of the Company.

(b) Service charges received/receivable from CMCC Group related to wireless income which are charged based on terms specified in the agreements.

(c) Service charges paid/payable to CMCC Group related to video cost which are charged based on terms specified in the agreements.

(d) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels and airtime advertising on giant sized light-emitting diode panels operated by the Group based on terms specified in the agreements.

(e) The controlling shareholder of LLT is a close family member of the Chairman of the Board and the Chief Executive Officer of the Company.

(f) The license fee received/receivable from LLT related to grant of license of domain name to LLT is charged based on terms specified in the agreement.

(g) Advertising sales to LLT are related to airtime advertising and programme sponsoring on channels and internet advertising sales based on terms specified in the agreements.

(ii) Period/year end balances arising from related parties transactions as disclosed in Note 27(i) above were as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (Audited)
Amounts due from related companies	**239,678**	333,610

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$103,272,000 (as at 31 December 2017: HK$214,215,000) due from Particle Inc. (see Note 28) which is unsecured, interest bearing at rates of 9% per annum and repayable within one year and trade receivables from related parties which are repayable in accordance with credit terms. As at 30 June 2018, the ageing analysis of the amounts due from related companies is as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (Audited)
Amounts due from related companies		
0-90 days	**53,232**	52,850
91-120 days	**10,546**	11,985
over 120 days	**175,900**	268,775
	239,678	333,610

(iii) Key management compensation

	For the six months ended 30 June 2018 HK$'000	2017 HK$'000
Salaries	**10,635**	10,478
Quarters and housing allowance	**3,743**	3,808
Pension fund	**852**	865
	15,230	15,151

28 INVESTMENTS IN AND LOAN TO PARTICLE INC.

In 2014, Phoenix New Media Limited ("PNM") invested in a number of Series B Preferred Shares of Particle Inc.. In 2015, PNM further invested approximately HK$496,989,000 in Series C Preferred Shares of Particle Inc..

On 28 January 2016, the board of directors of PNM have authorised to provide short-term unsecured loans to Particle Inc. in an aggregate principal amount of up to US$20 million (approximately HK$155,138,000) (the "Loans") at an interest rate of 4.35% per annum with a term of twelve months and convertible options of which PNM may, at its option, convert all or a portion of the Loans together with any unpaid interest into Series D1 Preferred Shares ("Conversion Options", such derivative components were accounted for as "derivative financial instruments") at any time prior to 31 December 2016, subject to the completion of issuance of Series D Preferred Shares by Particle Inc.. Particle Inc. has drawn down all of the US$20 million loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20 million into 23.6 million of Series D1 Preferred Shares. Similar to Series B and C, the investment in D1 Preferred Shares have similar features and were separated into the debt component of HK$122,744,000 which were classified as "available-for-sale financial assets" ("AFS") and "derivative financial instruments" ("DFI") of HK$38,171,000 (for the Conversion Option) at 31 December 2016. The investments in AFS and DFI were subsequently measured at fair value at each reporting period based on an external valuation report. Under HKAS 39, changes in fair value of the DFI are recognised in the consolidated income statement whereas all changes in fair value of AFS are recognised directly in other comprehensive income except for the interest portion of the AFS calculated using the effective interest method which is recognised in the consolidated income statement.

On 11 August 2016, PNM provided a short-term unsecured loan to Particle Inc. of US$14.8 million (approximately HK$114,802,000) (the "Convertible Loan") at an interest rate of 4.35% per annum with a term of six months and Conversion Options exercisable at any time on or before the maturity date of the Convertible Loan. The Convertible Loan represents compound financial instruments, which comprise (i) "loans and receivable" of HK$109,372,000 classified as "amounts due from related companies" and (ii) DFI of HK$5,430,000. The "loans and receivable" were carried at amortised cost and the DFI was subsequently measured at fair value at each reporting period. In January 2017, the term of the Convertible Loan was extended to twelve months to August 2017.

On 2 November 2016, PNM provided another short-term unsecured loan to Particle Inc. of RMB46.0 million (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months. In January 2017, the term of the loan was extended to twelve months to November 2017.

On 20 January 2017, PNM also provided a short-term unsecured loan to Particle Inc. of RMB74.0 million (approximately HK$83,835,000) at an interest rate of 9.00% per annum with a term of twelve months. On 22 January 2018, the term of the loan was extended for six months and the loan was fully repaid in July 2018.

29 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact of the adoption is recognized in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not been restated. The new accounting policies and the adjustments to the condensed consolidated interim financial information are set out below.

(a) HKFRS 9 — Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Accounting policies applied from 1 January 2018:

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets either those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

— Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

— FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

— FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in profit or loss there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

HKFRS 9 Financial Instruments — Impact of adoption

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

Impact of application of HKFRS 9 on condensed consolidated statement of changes in equity:

	Note	Revaluation reserve *HKD'000*	Retained earnings *HKD'000*
Closing balance as at 31 December 2017 under HKAS 39		815	3,044,660
Reclassify investments from AFS to financial assets at fair value through profit or loss ("FVPL")	*(i)*	(815)	815
Opening balance as at 1 January 2018 under HKFRS 9		—	3,045,475

Accounting policies applied from 1 January 2018:

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets	*Note*	FVPL	AFS	Amortised cost (Loans and Receivables 2017)	Derivative financial instruments (Assets) (Current)	Derivative financial instruments (Assets) (Non-current)	Total
		HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Closing balance as at 31 December 2017 — HKAS 39		**24,406**	**725,395**	**1,889,890**	**19,513**	**738,704**	**3,397,908**
Reclassify investments from AFS to FVPL	*(a),(b)*	1,483,612	(725,395)	—	(19,513)	(738,704)	—
Reclassify investments from Loans and Receivables to FVPL	*(b)*	115,752	—	(115,752)	—	—	—
Opening balance as at 1 January 2018 — HKFRS 9		**1,623,770**	**—**	**1,774,138**	**—**	**—**	**3,397,908**

(a) Reclassification from AFS to FVPL

Included in AFS were investments in convertible redeemable preferred shares — debt component and investment in unlisted equity securities.

Investments in convertible redeemable preference shares were reclassified from AFS to financial assets at FVPL (as at 1 January 2018: HK$705,712,000). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. In accordance with HKFRS 9, the Group shall apply the requirements in HKFRS 9 to the entire contract and present the derivative component of convertible redeemable preferred shares (as at 1 January 2018: HK$738,704,000) with the host contract in FVPL.

The related fair value gains of HK$815,000 were transferred from the revaluation reserve to retained earnings on 1 January 2018.

Investment in unlisted equity securities (as at 1 January 2018: HK$19,683,000) were reclassified from AFS to financial assets at FVPL as the Group elected to present fair value gain or loss on equity securities in profit or loss.

(b) Reclassification from loans and receivables to FVPL

Investments in convertible loan to Particle were reclassified from loans and receivables to financial assets at FVPL (as at 1 January 2018: HK$115,752,000). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. In accordance with the arrangement in HKFRS 9, the Group shall apply the requirements in HKFRS 9 to the entire contract and present the convertible option of convertible loan (as at 1 January 2018: HK$19,513,000) with the host contract in FVPL.

(b) HKFRS 15 — Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a goods or service transfers to a customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time.

The Group engages principally in satellite television broadcasting and provision of internet media services, which are mainly rendered over time. The Group adopted a modified retrospective approach for transition to HKFRS 15.

HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

As at 1 January 2018 and 30 June 2018, contract assets amounting to HK$60,566,000 and HK$81,306,000 respectively were included in accounts receivable in relation to the Group's conditional right to payment for services already transferred to customers.

As at 1 January 2018 and 30 June 2018, deferred income amounting to HK$109,029,000 and HK$314,040,000 respectively, represented contract liabilities in relation to advance payments made by the customers while the underlying services are yet to be provided under HKFRS 15.

Other than the above, the adoption of HKFRS 15 did not have significant impact on the condensed consolidated interim financial information.

30 SUBSEQUENT EVENTS

As previously announced by the Company, PNM entered into a loan assignment agreement with Long De in April 2018 for US$17,000,000 (approximately HK$133,426,000) and the assignment was completed on 7 August 2018.

By Order of the Board
LIU Changle
Chairman

Hong Kong, 17 August 2018

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors
Mr. LIU Changle (Chairman) (also an alternate director to Mr. CHUI Keung), Mr. CHUI Keung (also an alternate director to Mr. LIU Changle) and Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)

Non-executive Directors
Mr. SHA Yuejia, Mr. XIA Bing, Mr. GONG Jianzhong and Mr. SUN Yanjun

Independent Non-executive Directors
Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di

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