

**PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED**  
**(STOCK CODE: 2008)**

**PRESS RELEASE ON ANNUAL RESULTS OF 2008**

The Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited (Stock Code: 2008), Mr. Liu Changle, said today that he was very pleased to announce the company's annual results for 2008. During 2008, the Phoenix Group continued to perform stable. The Group's revenue for the year ended 31 December 2008 was 17.9% higher than the previous year, reaching approximately HK\$1,392,059,000. The profit attributed to equity holders improved by some 2.9% over the previous year, leading the Board to recommend a dividend of HK\$0.019 per share.

**FINANCIAL REVIEW**

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

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

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

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

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

## COMMENTS ON SEGMENTAL INFORMATION

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

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

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

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

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

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

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

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

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

## **BUSINESS OVERVIEW AND PROSPECTS**

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

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

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

The Group's signature channel, Phoenix Chinese Channel, continued to achieve a growth in income which underscored the popularity of its programming with the Chinese audience. The influence of the Beijing Olympics on the Group's performance is difficult to calculate. Phoenix reported extensively on the carriage of the Olympic torch from Athens to Beijing, and the confrontational events that some times occurred along the way, especially in France.

The Group also produced programmes on various aspects of the Olympics, but Phoenix did not have the rights to broadcast the Olympic events themselves, which suggests that the strong advertising performance by the Phoenix Chinese Channel and InfoNews reflected the advertisers' assessment that Phoenix has an elite audience that should not be ignored.

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

The company is preparing to relocate its headquarters to a single, dedicated building in Taipo in the Hong Kong New Territories in March 2009. The process of moving will involve considerable costs, with operations being conducted simultaneously at both locations to ensure uninterrupted broadcasts, and the removal of equipment and resources from the current location in Hunghom to the new building. But the new headquarters will facilitate more efficient programme production, with a greater choice of studios and the capacity to deliver a more ambitious range of programming effects. Given that the Group has purchased the new headquarters there is now no danger that upward rental movements, which can be a serious problem for businesses in Hong Kong, could have an impact on the Group's income. As a state-of-the-art television operation located adjacent to the sea front, the new headquarters at Taipo will provide a quite spectacular destination for VIP visitors.

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

Phoenix Satellite Television Holdings Limited  
13 March, 2009

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## **ABOUT PHOENIX**

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

Phoenix Satellite Television Holdings Limited was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in 2000 and transferred to the Main Board of The Stock Exchange of Hong Kong Limited on 5 December 2008.

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Further information about Phoenix Satellite Television Holdings Limited can be found at [www.ifeng.com](http://www.ifeng.com) and [www.hkexnews.hk](http://www.hkexnews.hk)