Chairman's Statement

The Group's Revenue for the year ended 31 December 2010 was approximately HK$2,598,314,000 which represented a growth of 71.0% as compared to 2009.

Financial Summary

- Revenue for the year ended 31 December 2010 was 71.0% higher than the previous year, reaching approximately HK$2,598,314,000.

- The profit attributable to owners of the Company increased to approximately HK$421,822,000, which was a 40.7% improvement over the profit achieved in 2009.

- The Board recommended a final dividend of 3.3 Hong Kong cents per share.

Results

The Group's revenue for the year ended 31 December 2010 was approximately HK$2,598,314,000, which represented a 71.0% increase over the revenue earned in 2009. The main drivers behind this result were the growth in broadcasting advertising, outdoor advertising and new media revenue. Total operating costs increased by 57.0% to approximately HK$1,875,358,000. The upward movement in operating costs was mainly due to the expansion of the new media and outdoor media businesses.

The Group's operating profit for the year ended 31 December 2010 was approximately HK$722,956,000, which represented an increase of 122.4% over the same period of the previous year. Profit attributable to owners of the Company was approximately HK$421,822,000, which was an increase of 40.7% compared with the same period last year. The operating profit was mainly generated by the increases in broadcasting, new media and outdoor advertising revenues.

Convertible Series A Preferred Shares ("Preferred Shares") were issued by Phoenix New Media Limited, an indirectly-owned subsidiary of the Company, in November 2009. In accordance with Hong Kong Accounting Standard 39, the Preferred Shares represent a compound financial instrument with debt and derivative components. Interest accretion of preference share liability's debt component included under other expenses for the year was approximately HK$41,577,000 (for the year ended 31 December 2009: HK$3,781,000). The derivative component is subsequently fair valued at each balance sheet date with changes in fair value being reflected in the consolidated income statement. The fair value of the derivative component for the year is increased by HK$169,087,000 (for the year ended 31 December 2009: Nil), this is also reflected as other expenses in the consolidated income statement for the year. Please refer to note 37 of the notes to the consolidated financial statements for details of the preference share liability. Other income mainly comprised a fair value gain of approximately HK$21,979,000 (for the year ended 31 December 2009: HK$37,176,000) which was recognized for the investment property under construction in Beijing.

Chairman's Statement

The chart presented below compares the Group's performance for the year ended 31 December 2010 with that for the 2009 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Phoenix Chinese Channel	**1,217,588**	979,427
Phoenix InfoNews Channel	**321,658**	232,894
Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others	**139,937**	108,711
New media	**593,380**	70,438
Outdoor media	**268,210**	72,066
Other businesses	**57,541**	56,112
Group's total revenue	**2,598,314**	1,519,648
Operating costs	**(1,875,358)**	(1,194,538)
Profit from operations	**722,956**	325,110
Other (expenses) / income, net	**(168,246)**	54,367
Profit before share of results of jointly controlled entities and an associate, income tax and non-controlling interests	**554,710**	379,477
Share of losses of jointly controlled entities and an associate	**(1,796)**	(755)
Income tax expense	**(108,490)**	(76,735)
Non-controlling interests	**(22,602)**	(2,241)
Profit attributable to owners of the Company	**421,822**	299,746
Basic earnings per share, Hong Kong cents	**8.46**	6.05

Business Overview and Prospects

The Group's performance during the 2010 financial year has been extremely positive, with a 71.0% increase in revenue over the same period last year. The fact that this outcome follows a good performance in 2009, when revenue grew by 9.9%, underscores that the Group's business model is very effective in the current international economic environment.

This period's extremely positive results came from both a major increase in revenue for the core television business, but also a dramatic increase in the revenue being generated by the new areas into which the Group has been expanding in recent years, namely the new media and the outdoor advertising LED businesses.

The Group's new media operations secured an enormous growth in revenue, with an eight-fold increase in income over the previous year. In part this was a consequence of the Group acquiring access to the revenue flow of two controlled entities which carry out much of the new media business, but it is also an outcome that reflects the growing popularity and availability of the internet in mainland China. The Phoenix new media carries much Phoenix programming, and thus expands the availability of Phoenix programming to an audience that previously did not have access to the normal distribution systems in China and internationally, and by doing so greatly consolidates the Phoenix brand name. The Company's management is exploring the possibility of the new media business offering its own shares. The Group expects that, in such an event, it would retain an equity and voting interest of over 50% in the listed company, and continue to consolidate the financial results of the new business.

The Group's outdoor LED advertising project has also generated a considerable increase in revenue, with the income from this new business area growing more than three times compared to the last financial year.

The Group's core television business also continued to increase its revenue. The Phoenix Chinese Channel's income increased by some 24%, while the Phoenix InfoNews Channel's income grew by some 38%, underscoring the demand of the Chinese audience for comprehensive and objective international news. InfoNews covered the major news stories that broke during the year, including the massive earthquake that hit Haiti in January, the sinking of the South Korean naval vessel Cheonan and the subsequent tensions on the Korean Peninsula including the North Korean shelling of Yeonpyeongdo Island, the severe floods that hit many parts of southern and western China and the earthquake in Yushu, the at times highly controversial negotiation of the Economic Cooperation Framework Agreement between Taiwan and the mainland, the killing of a group of Hong Kong tourists in Manila, the rescue of miners trapped underground in Chile, and the Burmese elections, which were the first elections for 20 years.

The major growth of revenue from the new media and the outdoor advertising businesses underscores that the Group's strategy to expand beyond the core television business into other areas is well based. The substantial growth in the income of the television business confirms the value of television as the central component of the Group's activities, but the marked improvement in both the new media and the outdoor advertising revenues demonstrates that the Group is successfully expanding its commercial base and consequently developing a broad foundation that should help ensure long-term commercial viability.

In keeping with the management's confidence that its strategy of business development is well attuned to current trends, the Group will be launching a Hong Kong Channel in late March. This channel will broadcast in Cantonese, and serve the Cantonese-speaking Chinese audience in Hong Kong, Guangdong Province and other Asia Pacific countries. This new channel will place a strong emphasis on news and economic and commercial information.

The Group's strong performance reflects the fact that the Chinese economy has weathered the Global Financial Crisis, and that many companies are now actively seeking to build their brand names and images after the period of caution caused by negative global trends. Commentary by marketing analysts has identified a general growth in advertising expenditure as the international economy recovers from the financial challenges of the last three years, which means that the Phoenix performance over this period probably reflects a broader trend. The mainland advertising market underwent a significant change during the course of the year, however, when the State Administration of Radio, Film and Television introduced a regulation that limited the amount of time that could be devoted to advertising each hour. This prompted many mainland-based television broadcasters to increase the cost of advertising, but also led to foreign-based satellite broadcasters such as Phoenix being increasingly sought after by advertisers who want to make maximum use of satellite TV stations that are not bound by the new regulations.

While the Group's excellent results might be the consequence of the recovery of the international economy, the fact that this year's results follow a positive performance in the previous year represents encouraging evidence that the Phoenix model should continue to function well as the current economic environment continues to evolve.

LIU Changle
Chairman

Hong Kong, 8 March 2011