1. General Information

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

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

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

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements of the Group have been approved for issue by the Board of Directors on 8 March 2011.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property under construction, financial assets at fair value through profit or loss and derivative component of preferred share liability.

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

(b) Changes in accounting policies and disclosures

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group

HKICPA has issued the following new and revised standards, amendments to standards and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2010:

HKFRS 3 (revised)	"Business combinations"
HKAS 27 (revised)	"Consolidated and separate financial statements"
HKAS 39 (revised)	"Eligible hedge items"
HK-Int 5 (revised)	"Presentation of Financial Statements-classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"
HK (IFRIC)-Int 17	"Distribution of non-cash assets to owners"
HK (IFRIC)-Int 8	"Transfers of assets from customers"
Improvements to HKFRS	

2. Summary of Significant Accounting Policies (Continued)

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

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group (Continued)

Amendments have been made to the following standards:

HKFRS 2	"Share-based Payment"
HKFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"
HKFRS 8	"Operating Segments"
HKAS 1	"Presentation of Financial Statements"
HKAS 7	"Cash Flow Statements"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 27	"Consolidated and Separate Financial Statements"
HKAS 36	"Impairment of Assets"
HKAS 38	"Intangible Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HK(IFRIC) – Int 9	"Reassessment of Embedded Derivatives"
HK(IFRIC) – Int 16	"Hedges of a Net Investment in a Foreign Operation"

The adoption of the above new and revised standards, amendments to standards and interpretations does not have significant impact on the Group's financial statements except for the changes in accounting policy as mentioned in Note 2(c)(iii).

(ii) New and revised standards, amendments to standards and interpretations that are not yet effective and have not been adopted by the Group

HKAS 1	"Presentation of financial statements"
HKAS 24 (Revised)	"Related party disclosures"
HKAS 27	"Consolidated and separate financial statements"
HKAS 32 (Amendment)	"Classification of rights issue"
HKAS 34	"Interim financial reporting"
HKFRS 1	"First time Adoption of International Financial Reporting Standards"
Amendment to HKFRS 1	"Limited exemption from comparative HKFRS 7 disclosures for first-time adopters"
HKFRS 3 (Revised)	"Business combinations"
HKFRS 7	"Financial instruments: Disclosures"
HKFRS 9	"Financial Instruments"
HK(IFRIC) – Int 13	"Customer loyalty programmes"
Amendment to HK(IFRIC) 14	"Prepayments of a minimum funding requirement"
HK(IFRIC) – Int 19	"Extinguishing financial liabilities with equity instruments"

The Group has not early adopted any of the above standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial positions.

2. Summary of Significant Accounting Policies (Continued)

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2(h)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

2. Summary of Significant Accounting Policies (Continued)

(c) Consolidation (Continued)

(iii) Associate and jointly controlled entities

The Group's investments in an associate and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in an associate and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2(k) for the impairment of non-financial assets including goodwill.

The Group's share of its associate and jointly controlled entities' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movement are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or jointly controlled entities equals or exceeds its interest in the associate or jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly controlled entities.

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

Dilution gains and losses arising in investments in an associate and jointly controlled entities are recognised in the consolidated income statement.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

(d) Segment reporting

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

2. Summary of Significant Accounting Policies (Continued)

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholder's equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Summary of Significant Accounting Policies (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies (Continued)

The functional currency of the jointly controlled entities in which the Group has invested is Renminbi. The Group's investment in the net assets of the jointly controlled entities are translated at the closing rate at the date of the balance sheet. The Group's share of losses of the jointly controlled entities are translated at the average exchange rates for equity accounting purposes. All resulting exchange differences are recognised in other comprehensive income.

(f) Property, plant and equipment

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

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

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

Buildings	2.22–3.33%
Leasehold improvements	6.67%–33.3% or over the terms of the leases
Furniture and fixtures	15%–20%
Broadcast operations and other equipment	10%–20%
Motor vehicles	20%–25%
LED monitors	10%–11.1%

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

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

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

(g) Investment property under construction

Investment property is defined as property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property under construction, principally comprising lease premium for land and office buildings under construction, is held for long-term rental yields and will not be occupied by the Group. Land held under operating leases is accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property under construction is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties under construction are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed by a independent valuer. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains, net".

2. Summary of Significant Accounting Policies (Continued)

(h) Intangible assets

(i) Goodwill

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

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

(ii) Licenses

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

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

(iii) Contractual customer relationships

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

(iv) Club debentures

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

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

2. Summary of Significant Accounting Policies (Continued)

(h) Intangible assets (Continued)

(v) Computer software (Continued)

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

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

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

(i) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. The cost of purchased programme and film rights is expensed in the consolidated income statement either on the first and second showing of such purchased programme and film rights or amortised over the license period if the license allows multiple showings within the license period.

Purchased programme and film rights with a remaining license period of 12 months or less are classified as current assets.

(j) Self-produced programmes

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

(k) Impairment of investments in subsidiaries, an associate, jointly controlled entities and non-financial assets

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

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

2. Summary of Significant Accounting Policies (Continued)

(l) Financial assets

(i) Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise bank deposits accounts receivable, deposits and other receivables, amounts due from related parties, restricted cash and cash and cash equivalent in the balance sheet (Notes 2(n) and 2(p)).

(c) Available-for-sale financial assets

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

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at cost as these securities have no quoted market price in an active market and their fair values cannot be reliably measured. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

2. Summary of Significant Accounting Policies (Continued)

(m) Inventories

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

(n) Accounts and other receivables

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

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

(o) Impairment of financial assets

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's/debtors financial difficulty, granting to the borrower/debtor a concession that the Group would not otherwise consider;
- It becomes probable that the borrower/debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties of the borrower/debtor; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of such financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

2. Summary of Significant Accounting Policies (Continued)

(p) Cash and cash equivalents

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

(q) Deferred income

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

(r) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2(u)).

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

(s) Accounts payable, other payables and accruals

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

(t) Borrowings

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

Preference shares, which are redeemable at the option of the holder after a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the consolidated income statement as interest expense.

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

(u) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to ordinary shares of a subsidiary at the options of the holders, and the number of ordinary shares of the subsidiary to be issued varies with changes in their conversion price made in accordance with the relevant provisions of the preference share purchase agreement.

The liability component of the convertible preference shares, which represents the host liability and compound embedded derivatives, is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts (Note 37(b)).

Subsequent to initial recognition, the host liability is measured at amortised cost using the effective interest method. The compound derivatives are measured at fair value. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

The dividends on these preference shares are recognised in the consolidated income statement as interest expense.

2. Summary of Significant Accounting Policies (Continued)

(v) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement.

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

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

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

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

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

(w) Employee benefits

(i) Pension obligations

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

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

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

2. Summary of Significant Accounting Policies (Continued)

(w) Employee benefits (Continued)

(ii) Bonus plans

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

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

(iii) Share-based compensation

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The cash paid to subscribe for the shares issued when the Company's options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs. Cash paid to subscribe for the shares of subsidiaries of the Company, net of any directly attributable transaction costs, are reflected as increases to non-controlling interests in the consolidated balance sheet. On exercise of share options granted after 7 November 2002 and not vested as of 1 January 2005, the portion of the employee share-based payment reserve attributable to such options is transferred to share premium for the Company's share options or minority interests for share options of the Company's subsidiaries.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Summary of Significant Accounting Policies (Continued)

(x) Provisions

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

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

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

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, related agency commission expenses and discounts and after eliminating sales within the Group.

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

Revenue is recognised as follows:

(i) Advertising revenue

Advertising revenue, net of agency commission expenses, is recognised upon the broadcast of advertisements.

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

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

(iii) Subscription revenue

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

(iv) Magazine advertising revenue

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

(v) Magazine subscription/circulation revenue

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

(vi) Technical services income

Revenue from the provision of technical services is recognised when the value-added telecommunication services are provided/delivered to customers.

2. Summary of Significant Accounting Policies (Continued)

(y) Revenue recognition (Continued)

(vii) Sales of decoder devices and satellite receivers

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

(viii) Interest income

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(ix) Barter revenue

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

(z) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) including upfront payment made for lease premium for land, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(ab) Dividend distribution

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

3. Financial Risk Management

(a) Financial risk factors

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

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

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and US dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group engage in transactions mainly in HK$, RMB and US$ to the extent possible. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for monitoring and managing the net position in each foreign currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations, such as those in the People's Republic of China (the "PRC"), the United Kingdom and the United States is managed primarily through operating liabilities denominated in the relevant foreign currencies.

At 31 December 2010, if HK$ had weakened/strengthened by 3% (2009: 2%) against the RMB, with all other variables held constant, after-tax profit for the year would have been HK$11,787,000 (2009: HK$6,673,000), lower or higher, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated accounts receivable and receivables from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou").

At 31 December 2010, certain of the assets of the Group are denominated in US$. The Group also had operations in the United States. Since HK$ is pegged to US$, foreign exchange exposure with respect to the US$ denominated assets of its operations in the United States is considered as minimal.

(b) Price risk

The Group is exposed to unlisted and listed securities price risk because certain investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. For unlisted securities, management adopts the indicative market value provided by the issuers as their best estimate of the fair values of such securities. The Group also has investment in the equity of a publicly traded entity. For further details of the price risk exposure of the Group, please refer to Note 27.

(c) PRC regulations

The Chinese market in which the Group operates exposes the Group to certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Group to provide online advertising, mobile and Internet related services through contractual arrangements in the PRC since these industries remain highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax law, the status of properties leased for our operations and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Group's ability to conduct business in the PRC. The PRC government may also require the Group to restructure its operation entirely if it finds that the Group's contractual arrangements do not comply with applicable laws and regulation. It is unclear how a restructuring could impact the Group's business and operating results, as the PRC government has not yet found any such contractual arrangements to be in noncompliance. However, any such restructuring may cause significant disruption to the Group's business operations.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The Group's credit risk arises from cash and cash equivalents, loans and receivables, deposits with banks and financial institutions, as well as credit exposures to advertising agents and customers, including outstanding receivables and committed transactions. The Group has a receivable from an advertising agent, Shenzhou, in the PRC amounting to HK$313,626,000 representing approximately 8% of the total assets of the Group as of 31 December 2010. The Group manages its exposure to credit risk through continual monitoring of the credit quality of its customers and advertising agents, taking into account their financial position, collection history, past experience and other factors. For banks, financial institutions and issuers of derivative financial instruments, only reputable well established banks and financial institutions are accepted.

The Group has put in place policies to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

Most of the payment terms for advertising revenue will be agreed between the Group and the customers at the beginning of the year. Customers will make payments in accordance with the contract terms. The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed banking facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Department aims to maintain flexibility in funding by keeping committed banking facilities available. Details of cash and cash equivalents and banking facilities are set out in Notes 30 and 31 respectively.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	**Between 1 and 2 years** $'000	**Between 2 and 5 years** $'000
Group			
At 31 December 2010			
Accounts payable and other payables	**401,393**	**–**	**–**
Amounts due to related companies	**11,372**	**–**	**–**
Secured bank borrowings	**–**	**245,091**	**–**
Preferred shares liability – host debt	**–**	**–**	**409,243**
Preferred shares liability – derivative component	**–**	**–**	**192,974**
At 31 December 2009			
Accounts payable and other payables	240,174	–	–
Amounts due to related companies	11,401	–	–
Secured bank borrowings	–	–	45,488
Preferred shares liability – host debt	–	–	408,953
Preferred shares liability – derivative component	–	–	23,934

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Cash flow and fair value interest rate risk

As the Group has interest-bearing assets comprising cash and cash equivalents, bank deposits, restricted cash and amount due from Shenzhou (see Note 24) the Group's income and operating cash flows can be affected by changes in market interest rates.

The Group's cash flow and fair value interest-rate risks primarily arise from bank deposits. Bank deposits placed at variable rates expose the Group to cash flow interest-rate risk whereas those placed at fixed rates expose the Group to fair value interest-rate risk. The Finance Department's policy is to maintain an appropriate level between fixed-rate and floating-rate deposits. At 31 December 2010, 38% of bank deposits, restricted cash and cash and cash equivalents bore interest at fixed rates.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(c) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, bank deposits, accounts receivable, deposits and other receivables, available-for-sale financial assets, amounts due from/to related companies, accounts payable, other payables and accruals, approximate their fair value due to their short maturities.

The fair value of financial assets at fair value through profit or loss that is not openly traded is determined with reference to indicative market values provided by issuers (Note 27). Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

3. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss			
– trading equity securities	**24,330**	**–**	**24,330**
Liabilities			
Financial liabilities at fair value through profit or loss			
– derivative component of preferred share liability	**–**	**192,974**	**192,974**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss			
– trading equity securities	27,291	–	27,291
– other securities	26,533	–	26,533
	53,824	–	53,824
Liabilities			
Financial liabilities at fair value through profit or loss			
– derivative component of preferred share liability	–	23,934	23,934

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2010, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC") of approximately HK$24,330,000 (2009: shares of HSBC of approximately HK$27,291,000 and an investment in a 100% principal protected commodity index participation note of approximately HK$26,533,000) (Note 27).

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. Instrument included in level 2 comprises financial liability at fair value through profit or loss of approximately HK$192,974,000 (Note 37).

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classification.

4. Critical Accounting Estimates and Judgments

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provision for impairment of receivables

Significant judgment is exercised in the assessment of the collectibility of accounts receivable from each customer and the receivable from an advertising agent, Shenzhou. In making such judgment, management considers a wide range of factors, including customers' and Shenzhou's payment trends, subsequent payments and customers' and Shenzhou's financial positions.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. For the Group's tax exposure in the PRC, please refer to Note 9.

(iii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and function. It could change significantly as a result of changes in the Group's operations including any future relocation or renovation of the Group's facilities. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

(iv) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for derivative instruments that are not traded in active markets.

(v) Fair value of investment property under construction

The fair value of investment property under construction is determined using the information from the valuations performed by external professional valuers using the residual method of valuation. The residual method of valuation essentially involves the gross development value assessment of the hypothetical development to be erected on the investment property based on the latest development scheme. The estimated development costs for the hypothetical development including construction costs and professional fees together with allowances on interest payments and developer's profits are deducted from the established gross development value thereof. The resultant figure is then adjusted back to present value as at the valuation date to reflect the existing state of the investment property. The residual site value is then cross-checked with the actual sales or offerings of comparable properties by direct comparison method of valuation whereby comparable properties with similar character, location, sizes and so on are analysed and weighted against all respective advantages and disadvantages of the investment property in order to arrive at a fair comparison of value. Had the Group used different development costs and other assumptions, the fair value of the investment property would be different and thus, would impact the consolidated income statement.

4. Critical Accounting Estimates and Judgments (Continued)

(b) Critical judgments in applying the Group's accounting policies

Fair value of financial assets and liabilities at fair value through profit or loss

The fair value of financial asset and liabilities at fair value through profit or loss that is not traded in an active market is determined by using valuation techniques.

The Group adopted the indicative market value provided by the issuers as their best estimate of the fair values of the financial assets at fair value through profit or loss (Note 27). The Group considered that it would be more practicable to benchmark the values of these financial assets at fair value through profit or loss to the indicative market value provided by the issuers of these financial instruments rather than selecting another valuation method. The Group considered that the indicative market values provided by the issuers of these financial instruments were prepared based on financial valuation models and can be relied on.

5. Revenue and Segment Information

The Group is principally engaged in satellite television broadcasting activities. An analysis of the Group's revenue and other income by nature is as follows:

	2010 $'000	2009 $'000
Revenue		
Advertising sales		
Television broadcasting	**1,602,191**	1,254,526
Internet	**268,727**	–
Outdoor media	**268,210**	72,066
Mobile, video and wireless value added services income	**324,653**	–
Subscription sales	**76,234**	65,232
Magazine advertising and subscription or circulation sales	**47,043**	42,427
Technical services income	**–**	70,438
Others	**11,256**	14,959
	2,598,314	1,519,648
Other (losses)/gains, net		
Overprovision of reinstatement cost	**–**	1,872
Exchange gain/(loss), net	**7,753**	(357)
Investment income	**3,355**	2,100
Fair value (loss)/gain on financial assets at fair value through profit or loss (realised and unrealised)	**(6,187)**	3,302
Gain on revaluation of investment property under construction	**21,979**	37,176
Gain on acquisition of a subsidiary	**–**	2,371
Service charges received from a related party	**978**	1,233
Others, net	**7,133**	5,308
	35,011	53,005
	2,633,325	1,572,653

5. Revenue and Segment Information (Continued)

Management has determined the operating segments 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 four main reportable segments including:

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

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

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

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

(iii) Outdoor media – provision of outdoor advertising services; and

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

	Year ended 31 December 2010							
	Television broadcasting							
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue								
External sales	1,539,246	139,937	1,679,183	593,380	268,210	57,541	–	2,598,314
Inter-segment sales	209	4,805	5,014	14,366	210	37,054	(56,644)	–
Total revenue	1,539,455	144,742	1,684,197	607,746	268,420	94,595	(56,644)	2,598,314
Segment results	808,026	29,755	837,781	(125,776)	55,585	20,536	–	788,126
Unallocated income (Note a)								12,103
Unallocated expenses (Note b)								(245,519)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								554,710
Share of loss of jointly controlled entities								(1,794)
Share of loss of an associate								(2)
Income tax expense								(108,490)
Profit for the year								444,424
Non-controlling interests								(22,602)
Profit attributable to owners of the Company								421,822
Depreciation	(58,500)	(1,165)	(59,665)	(8,800)	(17,634)	(1,316)	–	(87,415)
Unallocated depreciation								(22,029)
								(109,444)

5. Revenue and Segment Information (Continued)

	Year ended 31 December 2009							
	Television broadcasting							
	Primary channels $'000 (Note 42)	Others $'000 (Note 42)	Sub-total $'000	New media $'000	Outdoor media $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue								
External sales	1,212,321	108,711	1,321,032	70,438	72,066	56,112	–	1,519,648
Inter-segment sales	–	299	299	–	–	27,971	(28,270)	–
Total revenue	1,212,321	109,010	1,321,331	70,438	72,066	84,083	(28,270)	1,519,648
Segment results	539,684	(10,446)	529,238	21,317	(34,451)	38,987	–	555,091
Unallocated income (Note a)								12,672
Unallocated expenses (Note b)								(188,286)
Profit before share of results of jointly controlled entities/an associate, income tax and non-controlling interests								379,477
Share of profit of jointly controlled entities								71
Share of loss of an associate								(826)
Income tax expense								(76,735)
Profit for the year								301,987
Non-controlling interests								(2,241)
Profit attributable to owners of the Company								299,746
Depreciation	(43,702)	(1,665)	(45,367)	(5,375)	(7,917)	(987)	–	(59,646)
Unallocated depreciation								(15,515)
								(75,161)

Note:

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

(b) Unallocated expenses represent primarily:

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

5. Revenue and Segment Information (Continued)

The Company is domiciled in Hong Kong. The geographical distribution of its revenue from external customers and total assets by geographical location are as follows:

	Year ended 31 December 2010	
	Revenue	**Total assets**
	$'000	**$'000**
The People's Republic of China	**2,466,065**	**1,776,809**
Hong Kong	**37,106**	**1,997,343**
Others	**95,143**	**51,731**
	2,598,314	**3,825,883**

	Year ended 31 December 2009	
	Revenue	Total assets
	$'000	$'000
The People's Republic of China	1,385,711	1,118,473
Hong Kong	33,401	1,552,136
Others	100,536	46,333
	1,519,648	2,716,942

6. Interest (Expenses)/Income, Net

	2010	2009
	$'000	$'000
Interest expenses		
– secured bank borrowings	**(10,165)**	(1,002)
– preferred shares liability (Note 37(b))	**(41,577)**	(3,781)
	(51,742)	(4,783)
Less: amounts capitalised on qualifying assets	**10,165**	1,002
Total interest expenses	**(41,577)**	(3,781)
Interest income on bank deposits	**7,407**	5,143
Interest (expenses)/income, net	**(34,170)**	1,362

7. Profit Before Income Tax

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

	2010 $'000	2009 $'000
Crediting		
Reversal of previously written-off accounts receivable	–	441
Reversal of provision for impairment of accounts receivable	1,155	4,574
Reversal of previously written off prepayments, deposits and other receivables	–	794
Reversal of provision of internet service fee	–	3,671
Charging		
Amortisation of purchased programme and film rights	23,150	29,546
Production costs of self-produced programmes	134,531	128,303
Commission expenses	296,229	245,945
Transponder rental	25,405	26,753
Provision for impairment of accounts receivable	686	2,899
Employee benefit expenses (including Directors' emoluments) (Note 8)	553,965	376,440
Operating lease rental in respect of		
– directors' quarters	1,445	1,430
– land and buildings of third parties	27,000	19,889
Loss on disposal of property, plant and equipment	658	206
Depreciation	109,444	75,161
Amortisation of lease premium for land	2,744	2,494
Amortisation of intangible assets	1,912	–
Auditor's remuneration	3,244	3,040
Services charges paid to related parties (Note 41(i)(b)&(h))	20,404	32,399

8. Employee Benefit Expenses (Including Directors' Emoluments)

	2010 $'000	2009 $'000
Wages, salaries and other allowances	537,180	360,659
Unutilised annual leave	833	660
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	15,952	15,121
	553,965	376,440

(a) Pensions – defined contribution plans

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans based on various percentages of the employees' salaries or a fixed sum per employee with reference to their salary level. The assets of these schemes are generally held in separate trustee administered funds.

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(a) Pensions – defined contribution plans (Continued)

(i) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2010, the aggregate amount of the employer's contributions was approximately HK$13,981,000 (2009: HK$13,538,000) and the total amount of forfeited contributions was approximately HK$980,000 (2009: HK$1,041,000).

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$20,000 for each employee. For those employees with monthly relevant income less than HK$5,000, since 1 February 2003, the employees' contributions are voluntary.

For the year ended 31 December 2010, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,738,000 (2009: HK$1,710,000) and total amount of forfeited contributions was approximately HK$31,000 (2009: Nil).

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Housing allowance $'000	Pension costs $'000	Total $'000
1.	LIU Changle	–	**5,528**	**2,600**	**1,117**	**510**	**9,755**
2.	CHUI Keung	–	**2,261**	**1,500**	**1,117**	**208**	**5,086**
3.	WANG Ji Yan	–	**1,972**	**1,200**	**976**	**182**	**4,330**
4.	LU Xiangdong (resigned on 23 March 2010)	–	–	–	–	–	–
5.	LI Yue (appointed on 23 March 2010, resigned on 19 August 2010)	–	–	–	–	–	–
6.	SHA Yuejia (appointed on 19 August 2010)	–	–	–	–	–	–
7.	Ella Betsy WONG	–	–	–	–	–	–
8.	LO Ka Shui	**250**	–	–	–	–	**250**
9.	GAO Nianshu	–	–	–	–	–	–
10.	GONG Jianzhong	–	–	–	–	–	–
11.	Jan KOEPPEN	–	–	–	–	–	–
12.	LEUNG Hok Lim	**250**	–	–	–	–	**250**
13.	Thaddeus Thomas BECZAK	**250**	–	–	–	–	**250**
14.	CHEUNG Chun On, Daniel	–	–	–	–	–	–
15.	GAO Jack Qunyao	–	–	–	–	–	–

The remuneration of every Director for the year ended 31 December 2009 is set out below:

	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Housing allowance $'000	Pension costs $'000	Total $'000
1.	LIU Changle	–	5,367	1,650	1,110	495	8,622
2.	CHUI Keung	–	2,195	1,100	1,085	203	4,583
3.	WANG Ji Yan	–	1,915	900	947	177	3,939
4.	LAU Yu Leung, John (resigned on 30 November 2009)	–	–	–	–	–	–
5.	LO Ka Shui	200	–	–	–	–	200
6.	GONG Jianzhong	–	–	–	–	–	–
7.	LEUNG Hok Lim	200	–	–	–	–	200
8.	Thaddeus Thomas BECZAK	200	–	–	–	–	200
9.	LU Xiangdong	–	–	–	–	–	–
10.	GAO Nianshu	–	–	–	–	–	–
11.	Paul Francis AIELLO (resigned on 12 October 2009)	–	–	–	–	–	–
12.	GAO Jack Qunyao	–	–	–	–	–	–
13.	Jan KOEPPEN (appointed on 30 November 2009)	–	–	–	–	–	–
14.	CHEUNG Chun On, Daniel (appointed on 12 October 2009)	–	–	–	–	–	–
15.	Ella Betsy WONG (appointed on 30 November 2009)	–	–	–	–	–	–

8. Employee Benefit Expenses (Including Directors' Emoluments) (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 include three (2009: three) executive Directors whose emoluments are reflected in the analysis presented in Note (b) above. The emoluments paid/payable to the remaining two (2009: two) individuals during the year are as follows:

	2010 $'000	2009 $'000
Salaries	3,518	3,319
Discretionary bonus	3,150	1,950
Housing allowance	1,740	1,642
Pension costs	325	306
	8,733	7,217

As of 31 December 2010, Mr. LIU Changle (2009: 5,320,000), Mr. CHUI Keung (2009: 2,508,000) and Mr. WANG Ji Yan (2009: 3,990,000) had no outstanding share options to purchase shares of the Company. All outstanding options held by the three executive Directors were exercised during 2010 and the fair values of these options have not been included in the directors' emoluments disclosed above.

The emoluments of the remaining two (2009: two) individuals fell within the following bands:

	Number of individuals	
Emolument band	2010	2009
HK$3,000,001–HK$3,500,000	–	1
HK$3,500,001–HK$4,000,000	–	1
HK$4,000,001–HK$4,500,000	1	–
HK$4.500,001–HK$5,000,000	1	–

During the year, no emoluments or incentive payments were paid or payable to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office (2009: Nil).

9. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 **$'000**	2009 $'000
Current income tax		
– Hong Kong profits tax	**104,853**	48,133
– Overseas taxation	**7,782**	2,230
– (Over)/under provision of Hong Kong profits tax in the prior year	**(4,673)**	2,975
Deferred income tax (Note 38)	**528**	23,397
	108,490	76,735

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fees collected from Shenzhou in the PRC (Note 24) (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future such that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the location in which the Company operates as follows:

	2010 **$'000**	2009 $'000
Profit before income tax	**552,914**	378,722
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**91,231**	62,489
Income not subject to taxation	**(19,441)**	(8,277)
Expenses not deductible for taxation purposes	**43,617**	5,813
Tax losses not recognised	**4,775**	12,771
Effect of tax holiday granted to PRC subsidiaries	**(4,850)**	(1,966)
Recognition of previously unrecognised deferred income tax (assets)/liabilities	**(887)**	2,164
Utilisation of previously unrecognised tax losses	**(1,836)**	–
Effect of different tax rate in other countries	**554**	766
(Over)/under provision of Hong Kong profits tax in the prior year	**(4,673)**	2,975
Income tax expense	**108,490**	76,735

10. Earnings per Share

(a) Basic

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

	2010	2009
Profit attributable to owners of the Company ($'000)	**421,822**	299,746
Weighted average number of ordinary shares in issue ('000)	**4,985,237**	4,957,409
Basic earnings per share (Hong Kong dollars)	**0.08**	0.06

(b) Diluted

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

	2010	2009
Profit attributable to owners of the Company ($'000)	**421,822**	299,746
Adjustment for share options of the Company and a subsidiary and preference shares issued by a subsidiary ($'000)	**(31,186)**	(5,261)
Profit attributable to owners of the Company used to determine diluted earnings per share ($'000)	**390,636**	294,485
Weighted average number of ordinary shares in issue ('000)	**4,985,237**	4,957,409
Adjustment for share options of the Company ('000)	**6,580**	4,728
Weighted average number of ordinary shares for diluted earnings per share ('000)	**4,991,817**	4,962,137
Diluted earnings per share (Hong Kong dollars)	**0.08**	0.06

11. Dividends

The 2009 final dividends paid during the year ended 31 December 2010 were approximately HK$99,705,000 (2 Hong Kong cents per share). The directors recommend the payment of a final dividend of 3.3 Hong Kong cents per share, totalling approximately HK$164,572,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 June 2011. These consolidated financial statements do not reflect this dividend payable.

	2010 $'000	2009 $'000
Proposed final dividend of 3.3 Hong Kong cents (2009: 2 Hong Kong cents) per share	**164,572**	99,403

12. Profit attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$2,632,000 (2009: HK$2,209,000).

13. Purchased Programme and Film Rights, Net

	2010 $'000	2009 $'000
Balance, beginning of year	**27,233**	30,853
Additions	**29,187**	26,483
Amortisation	**(23,150)**	(29,546)
Others	**(2,570)**	(557)
Balance, end of year	**30,700**	27,233
Less: Purchased programme and film rights – current portion	**(4,069)**	(4,134)
	26,631	23,099

14. 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:

	2010 **$'000**	2009 $'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**36,557**	37,558
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**202,743**	182,678
	239,300	220,236

	2010 **$'000**	2009 $'000
Balance, beginning of year	**220,236**	367,530
Currency translation differences	**3,010**	759
Additions (Note a)	**53,584**	–
Transferred to investment property under construction (Note a and Note 16)	**(32,238)**	(143,087)
Amortisation (Note b)	**(5,292)**	(4,966)
Balance, end of year (Note c)	**239,300**	220,236

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

The land at the south western corner of Chaoyang Park in Beijing was valued by independent appraisers as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land as at acquisition date was RMB209,273,000 (equivalent to approximately HK$237,625,000). Subsequent to the acquisition of Phoenix Oriental, an amount of RMB3,398,100 (equivalent to approximately HK$3,885,000) was paid for the title registration for the land use right which has been capitalised as part of the cost of the land use right.

14. Lease Premium for Land (Continued)

(a) (Continued)

The land and project transfer contract for the land was entered into by Phoenix Oriental in or around May 2006, before it became an indirectly owned subsidiary of the Company. So far as the Directors are aware, the terms of the land and project transfer contract were agreed at after arm's length negotiations between Phoenix Oriental and 北京朝陽公園開發經營公司 (Beijing Chaoyang Park Development and Management Co.) based on applicable rates promulgated by the PRC government. All land premium and taxes in relation to the land payable up to 31 March 2010 in the aggregate amount of RMB179,500,000 (HK$204,630,000) have been fully paid. In April 2010, Phoenix Oriental and 北京市國土資源局 (State-owned Assets Beijing Bureau) entered into a supplemental agreement to the land and project transfer contract to increase the total gross floor area to approximately 65,000 square metres and change the land use to mixed use and underground parking, for an additional land premium in the amount of approximately RMB45,660,000 (HK$52,052,400). The additional land premium together with deed tax in the aggregate total amount of approximately RMB47,000,000 (HK$53,580,000) was fully paid in May 2010. The additional land premium has been reflected in the lease premium for land and investment property under construction in accordance with the expected usage areas for the Group's operations and for rental income and capital appreciation.

The land, comprises of approximately 18,822 square metres and a permitted total gross floor area of approximately 65,000 square metres, in which the above ground portion of approximately 35,000 square metre, is to be used for cultural, entertainment and office uses. Management intends the land to be used for the development of the Phoenix International Media Centre which will contain theatres and television programme studios to be used by the Group.

Upon completion of the construction, approximately 25,400 square metres will be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

(b) For the year ended 31 December 2010, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$2,548,000 (2009: HK$2,222,000).

(c) Included in the net book value as of 31 December 2010 is an amount of HK$16,365,000 which was paid by the Group to the Shenzhen Municipal Bureau of Land Resources and Housing Management ("Land Bureau") pursuant to notification from the 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 meters in the China Phoenix Building in Shenzhen ("Shenzhen Building"). As of 31 December 2010, 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 to its entitlement in the Shenzhen Building will be issued in the near future. As at 31 December 2010, the Group's entitlement to use of its entitled areas in the building continues to be accounted for as a finance lease as the Group had not yet obtained title to these entitled areas (Note 15(a)).

15. Property, Plant and Equipment, Net

	Freehold land and building $'000	Leasehold improvements $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED monitors $'000	Construction in progress $'000	Total $'000
Year ended 31 December 2009								
Opening net book amount	54,205	23,467	3,623	89,175	8,265	33,559	293,724	506,018
Currency translation differences	–	58	10	85	22	109	(146)	138
Acquired through business combinations	–	4,018	9	4,130	1,417	–	–	9,574
Additions	8,743	65,730	8,609	133,776	1,869	21,817	92,850	333,394
Transferred to investment property under construction (Note 16)	–	–	–	–	–	–	(13,505)	(13,505)
Disposals	–	–	(4)	(211)	–	–	–	(215)
Depreciation	(3,437)	(21,557)	(1,915)	(37,510)	(3,416)	(7,326)	–	(75,161)
Transfers	88,595	144,427	–	25,901	–	76,955	(335,878)	–
Closing net book amount (note a)	148,106	216,143	10,332	215,346	8,157	125,114	37,045	760,243
At 31 December 2009								
Cost	154,274	255,848	14,885	367,582	23,038	133,512	37,045	986,184
Accumulated depreciation and impairment	(6,168)	(39,705)	(4,553)	(152,236)	(14,881)	(8,398)	–	(225,941)
Net book amount	148,106	216,143	10,332	215,346	8,157	125,114	37,045	760,243
Year ended 31 December 2010								
Opening net book amount	**148,106**	**216,143**	**10,332**	**215,346**	**8,157**	**125,114**	**37,045**	**760,243**
Currency translation differences	**(26)**	**260**	**(1)**	**824**	**45**	**4,255**	**2,262**	**7,619**
Additions	**6,844**	**29,222**	**558**	**43,852**	**2,108**	**15,819**	**148,208**	**246,611**
Disposals	**–**	**(99)**	**(26)**	**(400)**	**(162)**	**–**	**–**	**(687)**
Depreciation	**(4,073)**	**(32,989)**	**(2,714)**	**(49,267)**	**(3,428)**	**(16,973)**	**–**	**(109,444)**
Transfers	**–**	**–**	**–**	**–**	**–**	**42,685**	**(42,685)**	**–**
Closing net book amount (note a)	**150,851**	**212,537**	**8,149**	**210,355**	**6,720**	**170,900**	**144,830**	**904,342**
At 31 December 2010								
Cost	**161,093**	**283,028**	**15,299**	**407,728**	**24,805**	**196,778**	**144,830**	**1,233,561**
Accumulated depreciation and impairment	**(10,242)**	**(70,491)**	**(7,150)**	**(197,373)**	**(18,085)**	**(25,878)**	**–**	**(329,219)**
Net book amount	**150,851**	**212,537**	**8,149**	**210,355**	**6,720**	**170,900**	**144,830**	**904,342**

Depreciation expense of approximately HK$66,240,000 (2009: HK$44,837,000) has been charged in operating expenses, and approximately HK$43,204,000 (2009: HK$30,324,000) in selling, general and administrative expenses.

15. Property, Plant and Equipment, Net (Continued)

(a) Included in the net book value as of 31 December 2010 is an amount of HK$28,283,000 which relates to the Group's entitlement to use 10,000 square meters in the Shenzhen Building. The Group's entitlement to use was accounted for as a finance lease as at 31 December 2010. As at 31 December 2010, the cost of this capitalised finance lease was HK$30,848,000 (2009: HK$30,848,000) with a net book value of HK$28,283,000 (2009: HK$28,982,000). As at 31 December 2010, the Group was still in the process of obtaining the title certificate to the 8,500 square meters of the entitled areas through the payment of land premium and taxes (Note 14(c)).

16. Investment Property under Construction

	2010	2009
	$'000	$'000
Balance, beginning of year	**217,657**	–
Currency translation differences	**7,164**	(448)
Transferred from lease premium for land (Note 14)	**32,238**	143,087
Transferred from property, plant and equipment (Note 15)	**–**	13,505
Additions	**92,100**	24,337
Valuation gain	**21,979**	37,176
Balance, end of year	**371,138**	217,657

The Group is developing the Phoenix International Media Centre on a piece of land situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing (Note 14(a)).

The total estimated floor area of the construction is approximately 62,800 square metres. Upon completion of the construction, approximately 25,400 square metres is expected to be occupied by the Group for its operations in Beijing, with the rest being held for rental income or capital appreciation.

The Group has applied the fair value model, as permitted by HKAS 40, to account for its investment property under construction and has fair valued the portion of the construction in progress of the Phoenix International Media Centre which is accounted for as investment property under construction. The fair value of the investment property under construction as at 31 December 2010 as valued by independent appraisers was approximately RMB318,000,000 (equivalent to approximately HK$371,138,000) (2009: RMB191,400,000 (equivalent to approximately HK$217,657,000)). A valuation gain of approximately HK$21,979,000 (2009: HK$37,176,000) was recognised in the consolidated income statement for the year ended 31 December 2010.

17. Intangible Assets

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2009						
Opening net book amount	–	–	–	2,705	1,520	4,225
Additions	–	–	–	–	2,954	2,954
Acquired through business combinations	8,733	2,401	1,923	–	933	13,990
Closing net book amount	8,733	2,401	1,923	2,705	5,407	21,169
At 31 December 2009						
Cost	8,733	2,401	1,923	2,705	5,407	21,169
Accumulated amortisation	–	–	–	–	–	–
Net book amount	8,733	2,401	1,923	2,705	5,407	21,169
Year ended 31 December 2010						
Opening net book amount	**8,733**	**2,401**	**1,923**	**2,705**	**5,407**	**21,169**
Additions	**–**	**–**	**–**	**–**	**150**	**150**
Disposal	**–**	**–**	**–**	**–**	**(934)**	**(934)**
Amortisation	**–**	**(705)**	**(648)**	**–**	**(559)**	**(1,912)**
Closing net book amount	**8,733**	**1,696**	**1,275**	**2,705**	**4,064**	**18,473**
At 31 December 2010						
Cost	**8,733**	**2,401**	**1,923**	**2,705**	**4,623**	**20,385**
Accumulated amortisation	**–**	**(705)**	**(648)**	**–**	**(559)**	**(1,912)**
Net book amount	**8,733**	**1,696**	**1,275**	**2,705**	**4,064**	**18,473**

Amortisation of approximately HK$1,353,000 (2009: Nil) is included in operating expenses, and approximately HK$559,000 (2009: Nil) in selling general and administrative expenses.

The goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The recoverable amount is based on a value in use calculation. There was no impairment charge recognised during the year (2009: Nil).

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

18. Investments in Jointly Controlled Entities

	2010 $'000	2009 $'000
Unlisted investments, at cost	**13,246**	13,246
Capital injection to a jointly controlled entity (Note b)	**5,718**	–
Less: provision for impairment	**(472)**	(472)
Less: share of losses of jointly controlled entities	**(7,646)**	(5,852)
Unlisted investments, net	**10,846**	6,922

Details of the jointly controlled entities as at 31 December 2010 are as follows:

Name	Place and date of incorporation	Place of operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
China Global Television Limited	British Virgin Islands, 18 October 2001	British Virgin Islands	Dormant	50%	US$2
北京翡翠鳳凰文化投資諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司 (Note a)	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB30,000,000
深圳市優悅文化傳播有限公司	The PRC 15 December 2010	The PRC	Radio Broadcasting in the PRC	50%	RMB10,000,000

(a) On 8 June 2007, Hong Kong Phoenix Satellite Television Limited ("Hong Kong Phoenix"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with 北京廣播公司 and CBC Advertising Limited pursuant to which the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB44,600,000. According to the Agreement, the increase in capital is to be contributed by Hong Kong Phoenix and CBC Advertising Limited as to RMB2,110,000 and RMB12,488,000, respectively. Subject to certain conditions, Hong Kong Phoenix and CBC Advertising Limited will have to inject no less than RMB422,000 and RMB2,497,600, respectively, five days prior to the application for the capital increment with the relevant authorities in Mainland China and must inject the remaining funds within one month after the issuance of the business license reflecting the capital increment. Immediately after the capital increment, the registered capital of 北京同步廣告傳播有限公司 owned by the Group, 北京廣播公司 and CBC Advertising Limited will change from 45%, 55% and 0% to 35%, 37% and 28% respectively.

On 27 May 2008, Hong Kong Phoenix entered into a new agreement with 北京廣播公司, 北京同步廣告傳播有限公司 and UPB International Media Limited which superseded the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix shall additionally inject RMB12,000,000 and become owner of 41.57% of the registered capital of the joint venture. As of 31 December 2010, the additional capital contribution had not been made by the Group.

(b) In December 2010, the Group set up 深圳市優悅文化傳播有限公司, a jointly-controlled entity with 廣東電台. The registered capital of 深圳市優悅文化傳播有限公司 is RMB10,000,000, of which 50% was contributed by the Group.

18. Investments in Jointly Controlled Entities (Continued)

The results of these jointly controlled entities, all of which are unlisted, and their aggregate assets and liabilities are as follows:

	2010 $'000	2009 $'000
Assets:		
Non-current assets	**184**	86
Current assets	**32,415**	22,976
	32,599	23,062
Liabilities:		
Current liabilities	**4,008**	2,732
	4,008	2,732
Net assets	**28,591**	20,330
Income	**22,777**	9,539
Expenses	**(26,653)**	(9,385)
(Loss)/profit after income tax	**(3,876)**	154

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities.

19. Investment in an Associate

	2010 $'000	2009 $'000
Unlisted investment, at cost	**5,564**	5,564
Less: share of loss on an associate	**(828)**	(826)
Unlisted investment, net	**4,736**	4,738

Details of the associate as at 31 December 2010 is as follows:

Name	Place and date of incorporation	Place of operation	Principal activity	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
深圳市合眾傳媒有限公司	The PRC, 28 October 2008	The PRC	Advertising business	26.46%	RMB10,000,000

20. Interests in Subsidiaries

	Company 2010 $'000	2009 $'000
Unlisted shares, at cost (Note a)	–	–
Amount due from a subsidiary, net (Note b)	**865,451**	948,271
	865,451	948,271

(a) The following is a list of the subsidiaries at 31 December 2010:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	Hong Kong, limited liability company	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands, limited liability company	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Satellite Television (Europe) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
PCNE Holdings Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	70%	US$1,000
Phoenix Chinese News & Entertainment Limited	The United Kingdom, limited liability company	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Satellite Television Information Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	99.27%	US$1
PHOENIXi Investment Limited (Note a (i))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	93.6%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PHOENIXi, Inc.	The United States of America, limited liability company	The United States of America	Dormant	93.6%	US$0.1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (ii))	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Weekly Magazine (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong, limited liability company	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands, limited liability company	Hong Kong	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Development Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
國鳳在線(北京)信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited (Note a(i))	The PRC, limited liability company	The PRC	Internet services	93.6%	US$500,000
鳳凰影視(深圳)有限公司 Phoenix Film and Television (Shenzhen) Company Limited	The PRC, limited liability company	The PRC	Ancillary services for programme production	60%	HK$10,000,000
Phoenix Satellite Television (Universal) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (U.S.) Inc.	The United States of America, limited liability company	The United States of America	Provision of management and promotional related services	100%	US$1
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands, limited liability company	Taiwan	Programme production	100%	US$1

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands, limited liability company	British Virgin Islands	Dormant	100%	US$1
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2
Phoenix Glow Limited	British Virgin Islands, limited liability company	British Virgin Islands	Provision of agency services	100%	US$1
深圳市梧桐山電視廣播有限公司 Shenzhen Wutong Shan Television Broadcasting Limited	The PRC, limited liability company	The PRC	Programme production	54%	RMB5,000,000
Phoenix Global Television Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1
鳳凰在線(北京)信息技術有限公司 Fenghuang On-line (Beijing) Information Technology Company Limited	The PRC, limited liability company	The PRC	Internet services	99.27%	US$1,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Dormant	100%	HK$1
Phoenix Media and Broadcast Sdn Bhd	Malaysia, limited liability company	Malaysia	Dormant	70%	RM1,000,000
Phoenix Centre (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	Property holding	100%	HK$1
Green Lagoon Investments Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
Phoenix Publications (Hong Kong) Limited	Hong Kong, limited liability company	The PRC	Dormant	100%	HK$1
Phoenix Metropolis Media Holdings Limited (formerly known as Phoenix Metropolis Media Company Limited)	Hong Kong, limited liability company	The PRC	Outdoor media business	75%	HK$400

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television Company Limited	British Virgin Islands, limited liability company	The PRC	Property holding	100%	US$1
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	99.27%	US$3,223,454.37 (Ordinary Shares) US$1,300,000 (Series A preferred shares)
鳳凰都市(北京)廣告傳播有限公司 Phoenix Metropolis Media (Beijing) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	HK$48,000,000
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB22,072,992
鳳凰衛視都市傳媒(杭州)有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB8,857,320
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	60%	RMB35,000,000
鳳凰都市傳媒(廣州)有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	56.25%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB15,000,000
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited	The PRC, limited liability company	The PRC	Outdoor media business	75%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited	The PRC, limited liability company	The PRC	Property holding	50%	RMB300,000,000

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Dormant	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	Hong Kong, limited liability company	The PRC	Outdoor media business	75%	HK$10,000
Phoenix Radio Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Satellite Télévision (France) SAS	France, limited liability company	France	Satellite television broadcasting	100%	EUR250,000
北京天盈九州網絡技術有限公司 Beijing Tianying Jiuzhou Network Technology Co. Ltd.	The PRC, limited liability company	The PRC	Internet contents provision	99.27% (Note a(iii))	RMB10,000,000
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.	The PRC, limited liability company	The PRC	Telecommunications business contents provision	99.27% (Note a(iii))	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Adv. Co., Ltd.	The PRC, limited liability company	The PRC	Internet contents provision	99.27%	RMB5,000,000
PSTV, LLC	The United States of America, limited liability company	The United States of America	Property holding	100%	US$5,000,000
鳳凰都市文化傳播(北京)有限公司 Phoenix Metropolis Communication (Beijing) Co., Ltd	The PRC, limited liability company	The PRC	Outdoor media business	75%	HK$10,000,000
鳳凰和信文化諮詢(北京)有限公司 Phoenix Cultural Consult (Beijing) Co., Ltd	The PRC, limited liability company	The PRC	Radio Boardcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC, limited liability company	The PRC	Radio Boardcasting	100%	RMB19,000,000

20. Interests in Subsidiaries (Continued)

(a) The following is a list of the subsidiaries at 31 December 2010: (Continued)

Notes:

i. PHOENIXi Investment Limited, PHOENIXi, Inc and Guofeng On-line (Beijing) Information Technology Company Limited are currently undergoing liquidation.

ii. Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

iii. Through entering various contractual arrangements with the registered equity holders of Beijing Tianying Jiuzhou Network Technology Co. Ltd ("Tianying") and Yifeng Lianhe (Beijing) Technology Co. Ltd. ("Yifeng"), the Group has acquired control over Tianying and Yifeng effective 31 December 2009. Accordingly, Tianying and Yifeng are accounted for as subsidiaries of the Group and are consolidated from 31 December 2009, date of acquisition of control.

(b) Amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

(c) The Company has undertaken to provide the necessary financial resources to support the future operations of the subsidiaries within the Group. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2010.

21. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables $'000	Financial assets at fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2010				
Available-for-sale financial assets	**–**	**–**	**962**	**962**
Financial assets at fair value through profit or loss (Note 27)	**–**	**24,330**	**–**	**24,330**
Bank deposits (Note 28)	**113,280**	**–**	**–**	**113,280**
Accounts receivable (Note 23)	**211,416**	**–**	**–**	**211,416**
Other receivables (Note 24)	**410,596**	**–**	**–**	**410,596**
Amounts due from related companies (Note 26)	**29,705**	**–**	**–**	**29,705**
Restricted cash (Note 29)	**23,790**	**–**	**–**	**23,790**
Cash and cash equivalents (Note 30)	**1,312,502**	**–**	**–**	**1,312,502**
Total	**2,101,289**	**24,330**	**962**	**2,126,581**
31 December 2009				
Available-for-sale financial assets	–	–	962	962
Financial assets at fair value through profit or loss (Note 27)	–	53,824	–	53,824
Bank deposits (Note 28)	117,616	–	–	117,616
Accounts receivable (Note 23)	86,497	–	–	86,497
Other receivables (Note 24)	397,146	–	–	397,146
Amounts due from related companies (Note 26)	27,495	–	–	27,495
Restricted cash (Note 29)	21,607	–	–	21,607
Cash and cash equivalents (Note 30)	649,245	–	–	649,245
Total	1,299,606	53,824	962	1,354,392

21. Financial Instruments by Category (Continued)

	Financial liability at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Other financial liabilities $'000	Total $'000
Liabilities per consolidated balance sheet				
31 December 2010				
Accounts payable and other payables (Note 35)	**–**	**–**	**401,393**	**401,393**
Investment deposits (Note 36)	**–**	**–**	**52,520**	**52,520**
Amounts due to related companies (Note 26)	**–**	**–**	**11,372**	**11,372**
Borrowings				
– Secured bank borrowings (Note 37(a))	**–**	**245,091**	**–**	**245,091**
– Preference share liability (Note 37(b))				
– host debt	**–**	**215,041**	**–**	**215,041**
– derivative component	**192,974**	**–**	**–**	**192,974**
Total	**192,974**	**460,132**	**465,285**	**1,118,391**
31 December 2009				
Accounts payable and other payables (Note 35)	–	–	240,174	240,174
Amounts due to related companies (Note 26)	–	–	11,401	11,401
Borrowings				
– Secured bank borrowings (Note 37(a))	–	45,488	–	45,488
– Preference share liability (Note 37(b))				
– host debt	–	173,404	–	173,404
– derivative component	23,934	–	–	23,934
Total	23,934	218,892	251,575	494,401

Company

	Loans and receivables $'000
Assets as per balance sheet	
31 December 2010	
Cash and cash equivalents (Note 30)	**4,883**
31 December 2009	
Cash and cash equivalents (Note 30)	5,149

21. Financial Instruments by Category (Continued)

	Other financial liabilities $'000
Liabilities as per balance sheet	
31 December 2010	
Other payables and accruals (Note 35)	**285**
31 December 2009	
Other payables and accruals (Note 35)	200

22. Credit Quality of Financial Assets

Group

The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about counterparty default rates.

Accounts receivable

	2010 $'000	2009 $'000
Counterparties without external credit rating		
Group 1	**13,225**	5,343
Group 2	**199,868**	84,313
	213,093	89,656

Other receivables

	2010 $'000	2009 $'000
Counterparties without external credit rating		
Group 1	**4,507**	6,247
Group 2	**406,089**	390,899
	410,596	397,146

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Amounts due from related companies

	2010 **$'000**	2009 $'000
Counterparties without external credit rating		
Group 2	**29,705**	27,495

Group 1 – new customers (less than 6 months) with no business relationships in the past.

Group 2 – existing customers with no defaults in the past.

Cash and cash equivalents

Ratings by rating agencies of banks at which cash and deposits are held.

	Group		**Company**	
	2010 **$'000**	2009 $'000	**2010** **$'000**	2009 $'000
AA	**215,481**	229,864	**4,828**	5,093
AA –	**6,347**	5,047	**–**	–
A	**2,959**	200	**–**	–
A–	**160,389**	56,894	**55**	56
BBB+	**619,949**	151,474	**–**	–
BBB	**128,647**	25,483	**–**	–
BBB–	**–**	40,473	**–**	–
Others (Note a)	**177,167**	138,775	**–**	–
	1,310,939	648,210	**4,883**	5,149

Note a: Others represented cash held at banks without credit rating. These banks are reputable banks with no defaults in the past.

Restricted cash

	2010 **$'000**	2009 $'000
AA	**21,213**	21,607
BBB+	**2,355**	–
Others	**222**	–
	23,790	21,607

22. Credit Quality of Financial Assets (Continued)

Group (Continued)

Bank deposits

	2010 $'000	2009 $'000
A–	**233**	227
BBB	**–**	106,016
BBB+	**113,047**	–
Others (Note b)	**–**	11,373
	113,280	117,616

Note b: Others represented short-term deposits placed at banks without credit rating.

Available-for-sale financial assets

	2010 $'000	2009 $'000
Others	**962**	962

Financial assets at fair value through profit or loss

	2010 $'000	2009 $'000
AA	**24,330**	26,533
A	**–**	27,291
	24,330	53,824

None of the financial assets that are fully performing has been renegotiated during the year.

23. Accounts Receivable, Net

	2010 $'000	2009 $'000
Accounts receivable	**213,093**	89,656
Less: Provision for impairment of receivables	**(1,677)**	(3,159)
	211,416	86,497

The carrying amounts of accounts receivable, net, approximate their fair values.

23. Accounts Receivable, Net (Continued)

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 24). The Group generally requires its advertising customers in the television broadcasting segment to pay in advance. Customers of other business segments are given credit terms of 30 to 90 days.

At 31 December 2010, the ageing analysis of the accounts receivable from customers is as follows:

	2010 $'000	2009 $'000
0-30 days	100,055	41,404
31-60 days	48,719	15,773
61-90 days	24,618	15,653
91-120 days	16,825	5,536
Over 120 days	22,876	11,290
	213,093	89,656
Less: Provision for impairment of receivables	(1,677)	(3,159)
	211,416	86,497

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2010 $'000	2009 $'000
RMB	197,387	74,020
US$	9,657	10,676
UK pound	6,049	4,960
	213,093	89,656

Movement on the Group's provision for impairment of accounts receivable is as follows:

	2010 $'000	2009 $'000
At 1 January	3,159	5,306
Provision for impairment of accounts receivable	686	2,899
Receivables written off during the year as uncollectible	(1,003)	(521)
Reversal of provision for impairment of accounts receivable	(1,155)	(4,574)
Currency translation differences	(10)	49
At 31 December	1,677	3,159

The creation and release of provision for impaired accounts receivables have been included in "selling, general and administrative expenses" in the consolidated income statement (Note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

23. Accounts Receivable, Net (Continued)

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

The Group has recognised a loss of approximately HK$686,000 (2009: HK$2,899,000) for the impairment of its accounts receivable for the year ended 31 December 2010. The loss has been included in "selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$1,003,000 (2009: HK$521,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year. The Group has not reversed previously written-off accounts receivable during the year (2009: HK$441,000).

As at 31 December 2010, accounts receivable of approximately HK$58,098,000 (2009: HK$18,466,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2010	2009
	$'000	$'000
0 to 30 days	**30,642**	10,809
31-60 days	**9,352**	4,771
61-90 days	**4,149**	993
91-120 days	**8,019**	1,802
Over 120 days	**5,936**	91
	58,098	18,466

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. The Group does not hold any collateral.

24. Prepayments, Deposits and Other Receivables

	2010	2009
	$'000	$'000
Prepayment and deposits	**91,631**	79,024
Other receivables	**410,596**	397,146
	502,227	476,170
Less: non-current portion	**(30,672)**	(23,810)
Current portion	**471,555**	452,360

Included in other receivables is an amount of approximately RMB269,482,000 (HK$313,626,000) (2009: RMB274,524,000 (HK$313,263,000)) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

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

24. Prepayments, Deposits and Other Receivables (Continued)

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 RMB269,482,000 (equivalent to approximately HK$313,626,000) as at 31 December 2010 (2009: RMB274,524,000 (equivalent to approximately HK$313,263,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

The carrying amounts of prepayments and other receivables approximate their fair values.

Prepayment for long term assets represents deposits and prepayment paid for the acquisition of property, plant and equipment.

As at 31 December 2010, other receivables of HK$410,596,000 (2009: HK$397,146,000) were past due but not impaired. These relate to Shenzhou and a number of independent debtors for whom there is no recent history of default. The ageing analysis of these other receivables is as follows

	2010 **$'000**	2009 $'000
Up to 90 days	**349,353**	340,435
91 to 180 days	**14,748**	5,642
Over 180 days	**46,495**	51,069
	410,596	397,146

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2010 **$'000**	2009 $'000
RMB	**371,469**	379,484
US$	**550**	25
HK$	**37,607**	17,330
UK pound	**727**	274
Other currencies	**243**	33
	410,596	397,146

The other classes within prepayment, deposits and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of the prepayment, deposits and other receivables mentioned above. The Group does not hold any collateral as security.

25. Inventories

	2010 $'000	2009 $'000
Decoder devices and satellite receivers	**3,560**	3,994
Premium items	**3,098**	–
	6,658	3,994

The cost of inventories sold is recognised as expense and included in other income, net, amounted to approximately HK$660,000 for the year ended 31 December 2010 (2009: HK$835,000).

26. Amounts due from/to Related Companies

	2010 $'000	2009 $'000
Amounts due from related companies	**29,705**	27,495
Amounts due to related companies	**(11,372)**	(11,401)

At 31 December 2010, the ageing analysis of the amounts due from/to related companies, is as follows:

	2010 $'000	2009 $'000
Amounts due from related companies		
0-90 days	**18,634**	11,870
91-120 days	**1,813**	1,886
over 120 days	**9,258**	13,739
	29,705	27,495
Amounts due to related companies		
0-90 days	**–**	11,401
91-120 days	**–**	–
Over 120 days	**11,372**	–
	11,372	11,401

As at 31 December 2010, amount due from Satellite Televisions Asia Region Limited ("STARL") is HK$10,321,000 (2009: HK$17,273,000). STARL is a subsidiary of Xing Kong Chuan Mei Group Co Ltd, a substantial shareholder of the Company (Note 41(i)(a)).

As at 31 December 2010, amount due from China Mobile Communications Corporation ("CMCC"), a substantial shareholder of the Company, is approximately HK$18,236,000 (2009: HK$9,090,000) (Note 41(i)(k)).

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand (2009: same).

The carrying amounts of amounts due from/to related companies approximate their fair values.

The maximum exposure of amounts due from related companies to credit risk at the reporting date is the carrying value mentioned above.

27. Financial Assets at Fair Value Through Profit or Loss

	2010 $'000	2009 $'000
Investments at fair value	**24,330**	53,824

The above investments were classified as fair value through profit or loss on initial recognition and current with a maturity less than one year of the inception date. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other income in the consolidated income statement (Note 5).

As at 31 December 2010, the financial assets at fair value through profit or loss represent the shares of HSBC of HK$24,330,000 (2009: HK$27,291,000).

The investment consists of 305,271 shares of HSBC. Any gain or loss resulting from changes in the fair value of the shares of HSBC is recognised in the consolidated income statement in the period of change. As at 31 December 2010, the closing price of the shares of HSBC was HK$79.7. If the price of the shares of HSBC increased/decreased by 50% with all other variables held constant, post-tax profit for the period would have been HK$12,165,000 higher/lower. The investment in HSBC Shares is managed and its performance evaluated on a fair value basis and information about this investment is reported to management on that basis and as such has been designated as a financial asset at fair value through profit or loss.

At 31 December 2009, the financial assets at fair value through profit or loss consisted of the investment in shares of HSBC and an investment in a 100% principal protected commodity index participation note. During the year, the 100% principal protected commodity index participation note was redeemed at maturity.

28. Bank Deposits

	2010 **$'000**	2009 $'000
Short-term deposits (Note a)	**113,280**	117,616

(a) Short-term deposits represent bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposit.

	2010 **$'000**	2009 $'000
RMB	**6,068**	11,599
US$	**107,212**	106,017
	113,280	117,616

29. Restricted Cash

Restricted cash represents cash and cash equivalents amounting to HK$20,644,000 (2009: HK$18,338,000) held by PHOENIXi Investment Limited and Guofeng On-line (Beijing) Information Technology Company Limited, indirectly owned subsidiaries of the Company. PHOENIXi Investment Limited and Guofeng On-line (Beijing) Information Technology Company Limited are currently undergoing liquidation and is held under trust by the liquidator. The remaining restricted cash of HK$3,146,000 (2009: HK$3,269,000) represents a deposit pledged to a bank to secure a banking guarantee (Note 31).

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	Group	
	2010 **$'000**	2009 $'000
US$	**18,067**	18,338
RMB	**2,577**	–
Other currencies	**3,146**	3,269
	23,790	21,607

30. Cash and Cash Equivalents

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**760,580**	503,601	**4,883**	5,149
Short-term bank deposits	**551,922**	145,644	**–**	–
	1,312,502	649,245	**4,883**	5,149
Maximum exposure to credit risk	**1,310,939**	648,210	**–**	–
Denominated in:				
– HK$	**29,043**	40,449	**4,760**	5,025
– RMB	**458,514**	255,856	**–**	–
– US$	**814,621**	345,850	**123**	124
– Other currencies	**10,324**	7,090	**–**	–
	1,312,502	649,245	**4,883**	5,149

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits for the purpose of the consolidated statement of cash flows.

31. Banking Facilities

On 27 July 2009, Phoenix Oriental obtained loan facilities amounting to approximately HK$583,550,000 from Bank of Beijing to fund the construction work on the Phoenix International Media Centre. As at 31 December 2010, loan facilities of approximately HK$338,459,000 (2009: HK$523,000,000) was unutilised.

Save as disclosed above,as at 31 December 2010, the Group had remaining banking facilities amounting to approximately HK$18,146,000 (2009: HK$18,269,000) of which approximately HK$13,658,000 (2009: HK$13,667,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2010, deposits of approximately HK$3,146,000 (2009: HK$3,269,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary (Note 29).

32. Share Capital

	2010 Number of shares	2010 Amount $'000	2009 Number of shares	2009 Amount $'000
Authorised:				
Ordinary share of $0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 January	**4,970,142,000**	**497,014**	4,954,412,000	495,441
Exercise of share options	**16,889,500**	**1,689**	15,730,000	1,573
At 31 December	**4,987,031,500**	**498,703**	4,970,142,000	497,014

33. Share Options

(a) Share options of the Company

The Company has several share option schemes under which it may grant options to employees of the Group (including executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010 Average exercise price in HK$ per share	2010 Options '000	2009 Average exercise price in HK$ per share	2009 Options '000
At 1 January	**1.21**	**36,568**	1.18	48,076
Granted	**–**	**–**	1.17	5,254
Exercised	**1.11**	**(16,889)**	1.11	(15,730)
Lapsed	**1.08**	**(690)**	1.26	(1,032)
At 31 December	**1.30**	**18,989**	1.21	36,568

As at 31 December 2010, out of the 18,989,000 outstanding options (2009: 36,568,000 options), 12,944,000 (2009: 26,180,000) were exercisable. Options exercised in 2010 resulted in 16,889,000 shares (2009: 15,730,000 shares) being issued at HK$1.11 each (2009: HK$1.11). The related weighted average share price at the time of exercise was HK$1.99 (2009: HK$1.85) per share.

33. Share Options (Continued)

(a) Share options of the Company (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 2010 '000	2009 '000
13 June 2010	1.08	**–**	15,746
14 February 2011	1.99	**500**	500
9 August 2011	1.13	**3,800**	4,200
19 December 2012	0.79	**600**	600
25 March 2017	1.45	**9,045**	10,268
21 July 2019	1.17	**5,044**	5,254
		18,989	36,568

Total expenses recognised in the consolidated income statement for these share options granted to employees amounted to approximately HK$434,000 for the year ended 31 December 2010 (2009: HK$790,000).

(b) Share options of a subsidiary

Phoenix New Media Limited ("PNM"), an indirect wholly-owned subsidiary of the Company, granted 4,557,900 share options of PNM on 8 January 2010 and granted 11,035,325 share options of PNM on 1 July 2010, to the employees and a consultant of PNM or its subsidiaries under the PNM share option scheme approved on 20 June 2008 ("PNM Share Option Scheme").

Movement in the number of share options outstanding and their related weighted average exercise prices is as follows:

	2010 Average exercise price in US$ per share	2010 Options '000
At 1 January	**0.03215**	**72,332**
Granted	**0.03215**	**15,768**
Lapsed	**0.03215**	**(4,727)**
At 31 December		**83,373**

33. Share Options (Continued)

(b) Share options of a subsidiary (Continued)

As at 31 December 2010, out of the 83,373,000 outstanding options (2009: 72,332,000), no share option was exercised under the PNM Share Option Scheme (2009: 2,002,000).

Share options outstanding as at 31 December 2010 will expire on 25 May 2018 and have an exercise price of US$0.03215.

The average fair value of options granted during the year determined using the Black-Scholes valuation model was ranging from US$0.0158 to US$0.3941 each. The significant assumptions used in the model were cash flow projections prepared by management, discount rate ranging from 20.6% to 23.02%, the exercise price shown above, volatility ranging from 54.37% to 54.91%, an expected option life of 4.64 to 5.3 years and annual risk-free interest rates ranging from 2.65% to 3.57%. The volatility was estimated based on average annualised standard deviation of the share price of comparable listed companies..

Total expenses recognised in the consolidated income statement for these share options granted to PNM's employees amounted to approximately HK$15,003,000 (2009: HK$1,196,000) for the year ended 31 December 2010.

34. Reserves

Movement in the reserves of the Company during the year was as follows:

	Share premium $'000	Employee share-based payment reserve $'000	Accumulated deficit $'000	Total $'000
At 31 December 2008	579,844	3,411	(47,409)	535,846
Exercise of share options	16,465	(552)	–	15,913
Loss for the year	–	–	(2,209)	(2,209)
Dividends related to 2008	(94,134)	–	–	(94,134)
Employee share-based payment expenses	–	790	–	790
At 31 December 2009	**502,175**	**3,649**	**(49,618)**	**456,206**
Exercise of share options	**17,596**	**(553)**	**–**	**17,043**
Loss for the year	**–**	**–**	**(2,632)**	**(2,632)**
Dividends related to 2009	**(99,705)**	**–**	**–**	**(99,705)**
Employee share-based payment expenses	**–**	**434**	**–**	**434**
At 31 December 2010	**420,066**	**3,530**	**(52,250)**	**371,346**

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to owners. As at 31 December 2010, in the opinion of the Directors, the Company's reserves available for distribution to owners, comprising the share premium account and accumulated deficit, amounted to approximately HK$367,816,000 (2009: HK$452,557,000).

35. Accounts Payable, Other Payables and Accruals

(a) Group

	2010 $'000	2009 $'000
Accounts payable	**144,272**	86,692
Other payables and accruals	**266,298**	156,820
	410,570	243,512
Less: non-financial liabilities	**(9,177)**	(3,338)
	401,393	240,174

At 31 December 2010, the ageing analysis of the accounts payable was as follows:

	2010 $'000	2009 $'000
0-30 days	**52,252**	40,186
31-60 days	**13,964**	9,812
61-90 days	**8,011**	861
91-120 days	**5,558**	2,262
Over 120 days	**64,487**	33,571
	144,272	86,692

The carrying amounts of accounts payable, other payables and accruals are denominated in the following currencies:

	2010 $'000	2009 $'000
HK$	**108,378**	93,858
RMB	**284,625**	139,659
US$	**5,207**	3,869
UK pound	**2,781**	2,285
Others	**402**	503
	401,393	240,174

(b) Company

The amount represents provision for administrative expenses of HK$285,000 (2009: HK$200,000). The carrying amount approximates its fair value and is denominated in HK$.

36. Investment Deposits

During the year, the Group entered into framework agreements with three investors in respect of their investment into Phoenix Metropolis Media (Beijing) Company Limited ("PMM Beijing"), a 75% indirectly owned subsidiary of the Group engaged in the outdoor media business. Under the agreements, the three investors would contribute RMB194,000,000 into PMM Beijing in return for an approximately 28.6% interest in PMM Beijing. As at 31 December 2010, PMM Beijing had received approximately HK$53,000,000 from the investors as investment deposits. Further investment deposits of HK$84,000,000 were received subsequent to year end in accordance with the terms of the agreements. The investment by the three investors must be completed by 30 June 2011 or the investment deposits will have to be returned to the investors in accordance with the terms of the framework agreements.

37. Borrowings

	Group 2010 $'000	2009 $'000
Secured bank borrowings (Note a)	**245,091**	45,488
Preference share liability (Note b)	**408,015**	197,338
	653,106	242,826

(a) Secured bank borrowings

Secured bank borrowings denominated in RMB mature on 26 July 2012 and bear average coupons of 5.4% annually (2009: 5.4%).

Secured bank borrowings are secured by the land in Chaoyang Park with carrying values of approximately HK$115,000,000 (2009: HK$93,000,000), HK$92,000,000 (2009: HK$26,000,000) and HK$371,000,000 (2009: HK$218,000,000) recorded in lease premium for land, construction in progress and investment property under construction respectively.

(b) Preference share liability

PNM entered into the Preferred Shares Agreement ("Agreement") with three institutional investors, agreeing to issue 130,000,000 convertible Series A Preferred Shares ("Preferred Shares"), with par value of US$0.01 each, of PNM to the investors at a total consideration of US$25,000,000 (approximately HK$195,000,000). Upon approval of the board of directors of PNM to declare dividends, the Preferred Shares will be entitled to receive in preference to any payment on the ordinary shares, preferential non-cumulative dividends at the rate of 8% of the issue price, on an annual basis. The preference shares are convertible into ordinary shares at any time or mandatorily on an initial public offering of PNM on the basis of 1:1 subject to certain adjustments as defined in the Agreement. They are redeemable at the option of the holder at any time after 31 December 2013 or earlier, on the occurrence of certain events as specified in the Agreement. On redemption, the preferred shareholders are entitled to receive the greater of: (a) the original issue price plus a redemption premium plus all declared but unpaid dividends; or (b) the fair market value of the Preferred Shares as determined by an independent appraiser.

In accordance with HKAS 39 "Financial Instrument: Recognition and Measurement", the Preferred Shares represent a compound financial instrument with multiple components, which comprise:

- A host debt component;
- An equity component; and
- A compound embedded derivative component (representing the investor's option to require the Company to redeem the shares for cash at the predetermined amount and the investor's option to convert the preference shares into a variable number of PNM's ordinary shares and the mandatory conversion upon an initial public offering).

The fair value of the Preferred Shares at issuance (equal to their face value at issuance) is assigned to its respective debt, compound derivative and equity components based on the fair value of the debt and compound derivative components. The equity component is the remaining amount left after the fair value of the Preferred Shares has been allocated to the debt and compound derivative components and was nil. The host debt component is subsequently carried at amortised cost using the effective interest rate method. The derivative component is subsequently fair valued at each balance sheet date with changes in fair value being reflected in the consolidated income statement.

37. Borrowings (Continued)

(b) Preference share liability (Continued)

As at 31 December 2010, the carrying values of the host debt and derivative component of the Preferred Shares are as follows:

	2010 $'000	2009 $'000
Host debt – opening balance	**173,404**	169,623
Currency translation differences	**60**	–
Add: interest accretion during the year	**41,577**	3,781
	215,041	173,404
Derivative component – opening balance	**23,934**	23,934
Currency translation differences	**(47)**	–
Add: change in fair value during the year	**169,087**	–
	192,974	23,934
Preference share liability	**408,015**	197,338

The fair value of the Preferred Shares was determined using the discounted cash flow method. The significant assumptions used were discount rate of 20.43% (2009: 22.97%); volatility of 55.26% (2009: 56.41%) and annual risk-free interest rate of 3.15% (2009: 2.91%). The volatility was determined based on average of industry annualised historical stock price volatility. In addition to the above assumptions, management projection of future performance were also factored into the determination of the fair value of the Preferred Shares.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Secured bank borrowings	**245,091**	45,488	**245,091**	45,488
Financial liability at amortised cost	**215,041**	173,404	**215,041**	173,404
Financial liability at fair value through profit or loss	**192,974**	23,934	**192,974**	23,934
	653,106	242,826	**653,106**	242,826

38. DEFERRED INCOME TAX

Deferred income tax for the year ended 31 December 2010 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$408,352,000 as at 31 December 2010 (2009: HK$408,023,000) to carry forward against future taxable income. Approximately HK$397,283,000 (2009: HK$398,162,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2027.

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation of investment property under construction		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**37,580**	16,387	**9,294**	–	**46,874**	16,387
(Credited)/charged to the consolidated income statement	**(5,174)**	21,215	**5,495**	9,294	**321**	30,509
Currency translation differences	**504**	(22)	**–**	–	**504**	(22)
At 31 December	**32,910**	37,580	**14,789**	9,294	**47,699**	46,874

Deferred income tax assets

	Tax losses		Decelerated tax depreciation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(13,341)**	(5,971)	**(91)**	(349)	**(13,432)**	(6,320)
Charged/(credited) to the consolidated income statement	**229**	(7,370)	**(22)**	258	**207**	(7,112)
At 31 December	**(13,112)**	(13,341)	**(113)**	(91)	**(13,225)**	(13,432)

39. NET CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to net cash generated from operations

	2010 $'000	2009 $'000
Profit before income tax	**552,914**	378,722
Amortisation of lease premium for land	**5,292**	4,966
Depreciation of property, plant and equipment	**109,444**	75,161
Amortisation of purchased programme and film rights and other charges	**23,150**	29,546
Amortisation of intangible asset	**1,912**	–
Employee share-based payment	**15,437**	1,986
Provision for impairment of receivables	**1,677**	2,899
Loss on disposal of property, plant and equipment	**658**	206
Share of loss/(profit) of jointly controlled entities	**1,794**	(71)
Share of loss of an associate	**2**	826
Valuation gain on investment property under construction	**(21,979)**	(37,176)
Interest income	**(7,407)**	(5,143)
Gains on acquisition of a subsidiary	**–**	(2,371)
Investment income	**(3,355)**	(2,100)
Fair value loss/(gain) on financial assets at fair value through profit or loss	**6,187**	(3,302)
Fair value loss on preference share liability – derivative component	**169,087**	–
Interest expenses – preference share liability	**41,577**	3,781
Increase in accounts receivable	**(126,596)**	(21,977)
(Increase)/decrease in prepayments, deposits and other receivables	**(19,195)**	3,833
(Increase)/decrease in inventories	**(2,664)**	994
Increase in amounts due from related companies	**(2,210)**	(7,588)
(Increase)/decrease in self-produced programmes	**(5,999)**	45
Decrease in bank deposits	**4,336**	12,221
Increase in restricted cash	**(2,183)**	(230)
Increase in accounts payable, other payables and accruals	**167,058**	2,529
Decrease in provision for asset retirement obligation	**–**	(5,145)
Increase in deferred income	**28,363**	6,544
Decrease in amounts due to related companies	**(29)**	(176)
Net cash generated from operations	**937,271**	438,980

40. COMMITMENTS

(a) Service charges

As at 31 December 2010, the Group had committed service charges payable to STARL in respect of a service agreement expiring on 30 June 2012 and service charges payable to Fox in respect of service agreement expiring on 31 December 2011. Total committed service charges payable to STARL and to Fox are analysed as follows:

	2010	2009
	$'000	$'000
Not later than one year	**19,884**	19,934
Later than one year and not later than five years	**9,747**	29,610
	29,631	49,544

(b) Operating lease

As at 31 December 2010, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2010	2009
	$'000	$'000
Not later than one year	**88,596**	12,772
Later than one year and not later than five years	**262,032**	15,782
Later than five years	**121,437**	303
	472,065	28,857

(c) Capital commitments

As at 31 December 2010, the Group had capital commitments as follows:

	2010	2009
	$'000	$'000
Authorised but not contracted for	**173,194**	492,924
Contracted but not provided for	**487,220**	23,825
	660,414	516,749

(d) Other commitments

As at 31 December 2010, the Group had other operating commitments under various agreements as follows:

	2010	2009
	$'000	$'000
Not later than one year	**33,049**	30,441
Later than one year and not later than five years	**34,122**	21,589
Later than five years	**2,294**	–
	69,465	52,030

41. RELATED PARTY TRANSACTIONS

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

	Note(s)	**2010 $'000**	2009 $'000
Service charges paid/payable to STARL	a, b	**19,872**	31,733
Commission for international subscription sales and marketing services paid/payable to STARL	a, c	**4,478**	4,214
Film license fees paid/payable to Fortune Star	g, p	**1,517**	–
Programme license fees to Fox International	g, o	**–**	1,222
Service charges paid/payable to Asia Television Limited ("ATV")	d, e	**–**	11
Service charges received/receivable from ATV	d, f	**978**	1,233
Service charges paid/payable to Fox	g, h	**532**	666
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	i, j	**996**	945
Service charges received/receivable from China Mobile Communication Corporation and its associates ("the CMCC Group")	k, l	**133,438**	–
Service charges paid/payable to the CMCC Group	k, m	**34,024**	–
Advertising sales to the CMCC Group	k, n	**42,387**	47,024
Key management compensation	iii	**27,906**	24,360

Notes:

(a) STARL is a wholly-owned subsidiary of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 2 July 2009. The summary of the terms of the service agreement is set out in the announcement of the Company dated 3 July 2009. Either fixed fees or variable fees are charged depending on the type of services utilised.

41. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

Notes: (Continued)

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2009: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly ceased to own approximately 26.85% of ATV since 15 October 2010.

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

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

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

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

(h) Service charges paid/payable to Fox cover the granting of non-exclusive and non-transferable license to subscribe for Fox's news service provided to the Group which is charged based on the terms specified in a service agreement.

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

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

(k) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.71% of the issued share capital of the Company.

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

(m) Service charges paid/payable to CMCC Group related to wireless and video cost which are charged on terms specified in the agreement.

(n) Advertising sales to the CMCC Group are related to airtime advertising, programme sponsoring on channels and airtime advertising on giant sized light-emitting diode panels operated by the Group.

(o) Programme license fee to Fox International are charged on terms specified in a license agreement.

(p) The film license fees are charged in accordance with a film right agreement with Fortune Star.

41. RELATED PARTY TRANSACTIONS (Continued)

(ii) Year end balances arising from related party transactions as disclosed in Note 41(i) above were also disclosed in Note 26.

(iii) Key management compensation

	2010	2009
	$'000	$'000
Salaries	**13,280**	12,796
Discretionary bonuses	**8,450**	5,600
Housing allowance	**4,950**	4,783
Pension costs	**1,226**	1,181
	27,906	24,360

42. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the current year's presentation.

43. SUBSEQUENT EVENTS

On 9 March 2011, the Company granted a total of 104,820,000 share options to the directors, chief executive, substantial shareholder of the Company and certain employees of the Company and its subsidiaries under the Company's share option scheme adopted on 19 June 2009 at an exercise price of HK$2.92 per share.

On 15 March 2011, PNM adopted the Restricted Share Unit and Restricted Share Scheme (the "PNM March 2011 Scheme"), under which PNM may grant up to 29,059,158 restricted share units or restricted shares to the executives, employees or directors of PNM or its affiliates, provided that the number of restricted share units or restricted shares granted under the PNM March 2011 Scheme plus the number of share options granted and unvested under the PNM Share Option Scheme shall in no event exceed 96,000,000 shares.

On 15 March 2011, PNM cancelled 18,778,200 unvested stock options granted under the PNM Share Option Scheme, and on 17 March 2011, PNM granted 19,008,200 restricted shares under the PNM March 2011 Scheme to the affected employees. These transactions are being accounted for as a modification of share-based awards, and PNM is in the process of determining the incremental fair value resulting from this modification. In addition, PNM further granted 10,050,958 restricted share units to its employees under the PNM March 2011 Scheme on 17 March 2011.