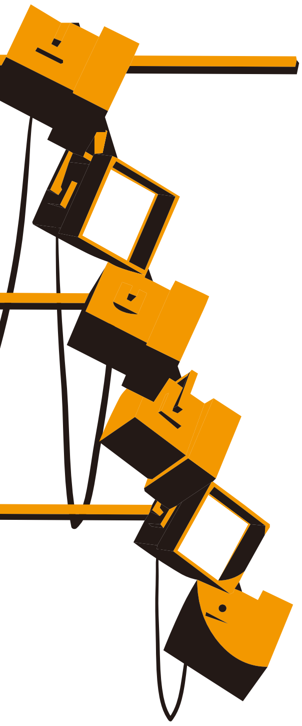
Phoenix Satellite Television Holdings Limited

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

Annual Report 2014



Mission Statement

Pursuing the vision of being the "Chinese connection", both among Chinese communities and between Chinese communities and the rest of the world, Phoenix seeks to provide Chinese everywhere with a continuous stream of Chinese-language programming, ranging from entertainment, talk shows and Asian and Western movies through to balanced, accurate and up-to-the-minute news and information about political and economic developments around the globe.

By performing these functions, Phoenix fulfills its mission of bringing China closer to the world and the world closer to China.

Contents

2014 Annual Highlights

February

20 February

The Hong Kong office of Sina Weibo held the "Weibo Ten Most Influential Awards Ceremony of 2013", which identified the most influential enterprises, media groups and the most popular topics in Hong Kong. Phoenix relied on its overall active presence on Weibo, its power of communication, and overall coverage to win the award for being the number one of the "Top 10 Weibo Most Influential HK Media" in 2013. Other winners of the awards including Television Broadcasts Limited, and several newspapers including Sing Pao, Ta Kung Pao and the South China Morning Post.

April

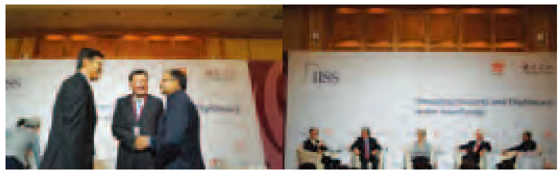
10 April

At the Television Awards division of 2014 50th Chicago International Film Festival the Phoenix program "News Zone: Pig Carcasses in the Huangpu River", was awarded the Gold Plaque for "Investigative Reporting/News Documentary" and the documentary programme "The Journey to North Korea" was awarded a Certificate of Merit in the same category, and the programme "Omni Media Online" was awarded the Silver Plaque for Art Direction/ Production Design.

May

11 May

At the National Buddha's Birthday Celebration which was staged by the Fo Guang Mountain Monastery on Ketagalan Boulevard in central Taipei and which marked the opening of the once a year Buddhist Carnival, Mr. LIU Changle J.P., the Chairman and CEO of Phoenix, participated in the ceremony and delivered a speech at the event, emphasizing the value of tolerance and benevolence.



May

30 May

The 2014 Shangri-La Dialogue was held in Singapore and attracted several hundred political leaders and experts in the area of defence and foreign policy. The London-based International Institute of Strategic Studies and Phoenix jointly held a television debate in the conference hall of the Shangri-La Hotel, which stood out as the first main event at the opening of this year's Dialogue.

September

11 September

At the 2014 summer Davos Forum which was held in Tianjin, Phoenix and the Tianjin Broadcasting Television Station jointly staged a televised debate on the subject of "Creating a Green Chinese Economy". Leaders of the new energy industry from China and abroad, along with researchers and academics specializing in energy economics, debated the future development of Green Energy in China.

24 September

Announced in Hong Kong, the 2014 9th《500 Strongest Brands in Asia》event which was organized and published by the World Brand Laboratory and the World Executive Group, Phoenix was named for the ninth time as one of the《500 Strongest Brands in Asia》, and was also named as one of the four most influential television media brands in Asia. Phoenix Executive Vice President and Chief Financial Officer, Mr. K.K. Yeung, personally received the awards from senior Professor Ziv Carmon of the INSEAD Business Administration School and senior Professor Ravi Dhar of Yale School of Management.

October

25 October

Phoenix held the "2014 Miss Chinese Cosmos Pageant" in Zhuhai. The ten finalists from around the world competed before the judges by answering questions, dancing and performing. The contest was won by Miss Liu Zhongqing, and Miss He Wenqian and Miss Yang Xue were the first and second runner-ups respectively.

Chairman's Statement

Financial Summary

- Revenue for the year ended 31 December 2014 was approximately HK$4,618,365,000, which represented a decrease of 3.9% in comparison with the previous year. The decline in television advertising revenue was almost compensated by the increase in revenue in new media business.

- Operating profit for the year ended 31 December 2014 was approximately HK$901,781,000, which represented a decrease of 28.5% in comparison with the previous year as the profit margin of the television broadcasting business was much higher and more stable than those of the Group's other areas of business, including the new media business.

- Profit attributable to owners of the Company was approximately HK$663,710,000, which represented a decrease of 28.8% in comparison with the previous year.

- The Board has recommended a final dividend of 4 Hong Kong cents per ordinary share of the Company.

The Group's revenue and operating profit for the year ended 31 December 2014 were approximately HK$4,618,365,000 and HK$901,781,000 respectively, which represented a decrease of respectively 3.9% and 28.5% in comparison with the same period of the previous year.

Results

The revenue of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Phoenix") for the year ended 31 December 2014 was approximately HK$4,618,365,000 (year ended 31 December 2013: HK$4,806,458,000), which represented a 3.9% decrease in comparison with the same period of the previous year.

The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. The operating costs have increased by 4.8% to approximately HK$3,716,584,000 (year ended 31 December 2013: HK$3,544,942,000). The upward movement in operating costs was mainly due to the expansion of the new media business.

The operating profit of the Group for the year ended 31 December 2014 was approximately HK$901,781,000 (year ended 31 December 2013: HK$1,261,516,000), which represented a decrease of 28.5% compared to the same period of the previous year.

Fair value gain of approximately HK$173,400,000 (year ended 31 December 2013: HK$104,199,000) was recognised for the investment property in Beijing and fair value gain of approximately HK$2,377,000 (year ended 31 December 2013: HK$95,000) was recognised for the investment property in London.

The net exchange loss of the Group for the year ended 31 December 2014 was approximately HK$14,325,000 (year ended 31 December 2013: net exchange gain of HK$43,088,000) resulting from the depreciation of Renminbi.

The profit attributable to owners of the Company was approximately HK$663,710,000 (year ended 31 December 2013: HK$932,394,000), which represented a decrease of 28.8% compared to the same period of the previous year.

Chairman's Statement

The chart below summarises the performance of the Group for the year ended 31 December 2014 and the year ended 31 December 2013 respectively.

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Television broadcasting	**1,997,976**	2,374,864
New media	**1,989,680**	1,751,100
Outdoor media	**553,604**	612,823
Real estate	**3,713**	1,157
Other businesses	**73,392**	66,514
Group's total revenue	**4,618,365**	4,806,458
Operating costs	**(3,716,584)**	(3,544,942)
Operating profit	**901,781**	1,261,516
Fair value gain on investment properties	**175,777**	104,294
Fair value gain on derivative financial instruments	**37,801**	–
Exchange (loss)/gain, net	**(14,325)**	43,088
Other income, net	**81,974**	41,203
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	**1,183,008**	1,450,101
Share of results of joint ventures and associates	**(21,226)**	6,318
Income tax expense	**(251,322)**	(293,391)
Profit for the year	**910,460**	1,163,028
Non-controlling interests	**(246,750)**	(230,634)
Profit attributable to owners of the Company	**663,710**	932,394
Basic earnings per share, Hong Kong cents	**13.28**	18.66

Business Overview And Prospects

The year 2014 saw a downward trend in the Chinese consumer economy, and the significant diminution in the demand for luxury items, which in turn has led to a considerable reduction in advertising income. This downward trend has been influenced by the Chinese government's campaign to counter corruption, and also by the stagnation of the property market. The Chinese government is also working to encourage businesses to meet the needs of China's expanding urban population and middle class, which in turn will generate renewed consumer demand. Economic analysts assess that over the next three years the most productive sectors in China will be food and beverage, entertainment, logistics and healthcare, and each of these sectors will see an increase in advertising. In short, the economic trends of the last financial year do not foreshadow long-term challenges to the Group.

Another challenge that the Chinese television business has been facing is the dramatic growth in the internet-based media technologies which has been driven to a large extent by the availability of modern mobile phone technology in China. Having anticipated the emergence of this challenge, the Group has been preparing for this development for some years, and with the establishment of the Group's Phoenix New Media, it is well placed to generate considerable income from the rapid expansion of the social media world in China. The establishment of the Group's new media business has required considerable investment, but the income that the Group derives from this line of business will hopefully no longer be seriously reduced by development expenditure in the longer term.

Over recent years there has also been a considerable increase in the number of entertainment programmes provided by local television stations and satellite television channels in China. These channels gain a certain amount of television ratings, but none of them have the capacity to compete with the Group in terms of national and international news, and commentary programmes that analyse current issues in a serious and yet at the same time highly accessible manner.

The Group's reporting covered in detail the crash of two Malaysian Airlines aircraft, both of which occurred in mysterious circumstances, the anti-government demonstrations in Thailand which eventually led to a military coup that ousted Prime Minister Yingluck Shinawatra, and the election of Narendra Modi as Indian Prime Minister, and his more active approach to developing relations with China than any of his predecessors. The Group has also provided extensive coverage of developments in the Middle East and Europe, including the civil war in Syria, the rise of ISIS, the diplomatic negotiations over the Iranian nuclear programme, and the often violent territorial tensions between Ukraine and Russia.

The Group's reporting has also covered developments in the Asian region, including the continuing tensions between China and Japan over the Diaoyutai Islands and the Japanese Prime Minister's ambiguous approach to Japan's military aggression in the first half of the Twentieth Century, and the still unresolved border issues in the South China Sea involving China, Vietnam and the Philippines. The Group has also continued to produce insightful and objective documentaries on developments in North Korea. The Group provided extensive coverage of the Asia-Pacific Economic Cooperation (APEC) meeting that was held in Beijing, which was attended by many leaders of the Asia-Pacific region, including President Obama.

The management of the Group is also conscious that Phoenix has now been operating for almost 20 years, and that many of its founding executives who made a major contribution to the Group's successful establishment and development have now reached retirement age. As these company elders have moved out of their original roles, the door has been opened for a range of new and innovative managers and executives to enter the top ranks of the Group, and bring a very modern and innovative perspective to the strategy that the company should adopt to ensure its development over the coming years. In short, the Group is well placed to respond effectively to the economic challenges it currently faces and the development of the new and extremely popular new media world.

A Global Media Organisation

As a satellite broadcaster Phoenix is primarily distributed by AsiaSat 7, which has a footprint covering the Asia-Pacific region. On the Chinese mainland, Phoenix is downlinked to many regional cable networks by Sinosat, and in Hong Kong it is on all major distribution systems. In many other countries and regions Phoenix is also carried by local operators.

Malaysia
Phoenix is carried by Astro, the major DTH operator.

Singapore
Phoenix is carried by StarHub and SingTel.

Indonesia
Phoenix is carried by First Media, Topas TV and PT Mega Media.

Thailand
Phoenix is carried by True Visions.

Philippines
Phoenix is carried by SKY Cable.

Japan
Phoenix is carried by Daifu.

Australia
Phoenix is carried by the Jade Interactive system and is also available from AsiaSat 7.

New Zealand
Phoenix is carried by World TV.

Asia Pacific

Phoenix Chinese Channel
Phoenix InfoNews Channel
Phoenix Movies Channel
Phoenix NA Chinese Channel
Phoenix CNE Channel
Phoenix Hong Kong Channel

Africa

Phoenix Chinese News and Entertainment Channel is distributed through MIH DTH platform to 38 countries in Africa, and is also transmitted over terrestrial TV network of StarTimes, covering 11 African countries including South Africa. Phoenix InfoNews Channel is distributed through ZTE DTH platform to the whole Africa.

North America

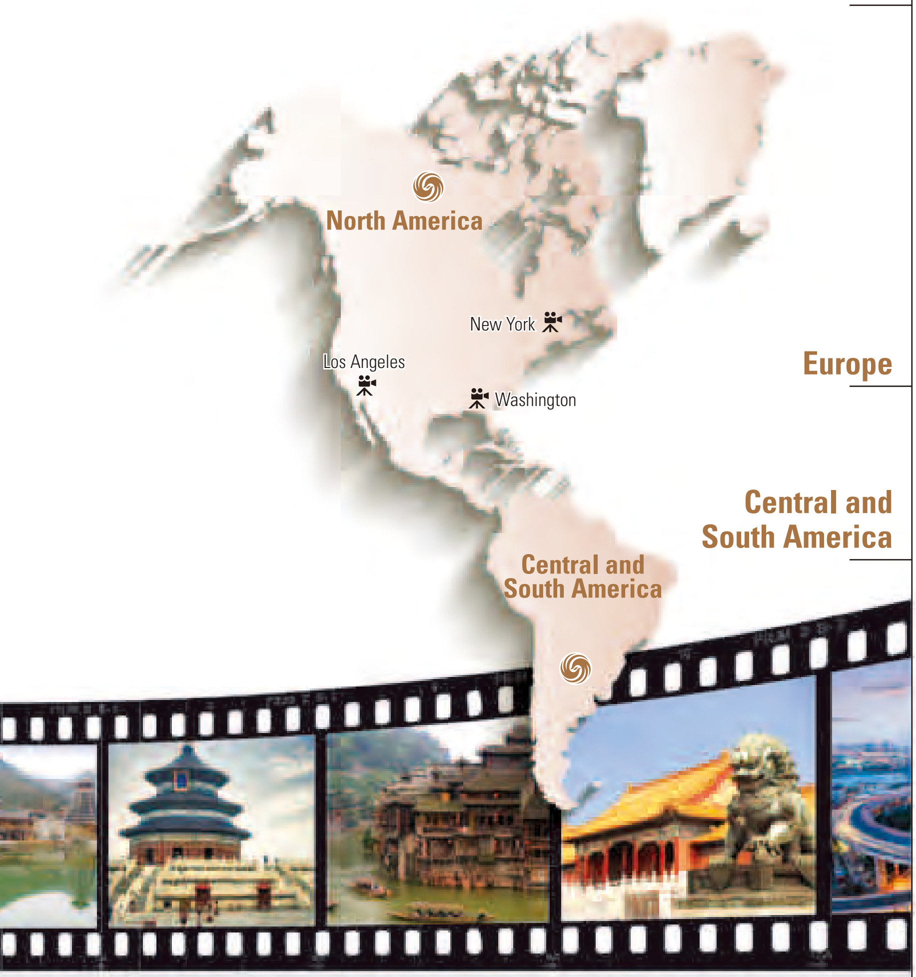
Phoenix North America Chinese Channel and Phoenix InfoNews Channel are carried on satellite by DirecTV and EchoStar and are also on the biggest IPTV platform Kylin. PNACC is also available on cable from Time Warner in New York, Comcast in San Francisco, Charter in Los Angeles, Rogers in the Toronto area and Shaw and NOVAS in the Vancouver area.

Europe

Phoenix Chinese News and Entertainment Channel is carried by Sky Digital, Eurobird 6 and a number of other national cable systems in Europe.

Central and South America

Central and South America Phoenix North America Chinese Channel and Phoenix InfoNews Channel are carried by Eutelsat 113 satellite to all countries in Central and South America.



Phoenix global reach

Phoenix news bureaux. Phoenix also uses materials from foreign independent bureaux based in Brazil, Canada, Mexico, Germany, Hungary, Pakistan and Spain.

Global Outlook

Being a Chinese language media organisation with global coverage, Phoenix TV is characterised by its global vision and its commitment to providing Chinese-speaking audiences with real-time world news and information, the Greater China region in particular.

In 2014, major news stories broke out one after another across the globe, and there were profound changes in the geo-political situation. These incidents included the mysterious disappearance of the Malaysian Airlines flight MH370, with the joint search exercise in two oceans involving a number of countries including China, USA and Australia. Phoenix TV sent reporters to the various scenes to provide first hand coverage on the search.

Meanwhile, the tension between China and Japan over territorial issues in the East China Sea – both in the ocean and in the air – has escalated, and Phoenix TV exclusively sent journalists to interview Chinese marine commander Wu Shengli and his Japanese counterpart Katsutoshi Kawano to analyse the relationship between the two countries.

Besides, the West Pacific Naval Symposium, the informal meeting among the APEC leaders, and the ice-breaking talks between Chinese and Japanese leaders, all took part in China, and the country became the focus of attention in international diplomacy. Phoenix TV provided extensive coverage of dialogue at each of these forums.

The civil war in eastern Ukraine led to the shooting down of Malaysian Airline flight MH17, and Crimea was merged with Russia. In both incidents, Phoenix journalists were at the frontiers of conflict to provide first-hand coverage to the Chinese-speaking audiences.

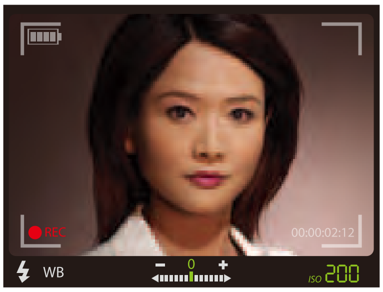
Meanwhile, Phoenix also provided the most in-depth and unbiased coverage of the municipality-county-township elections which were held in Taiwan and the dramatic changes in both the blue and green political camps there.

A Global Team

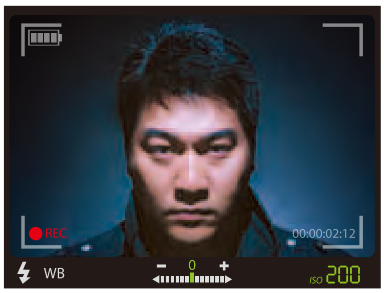
The Mainland

To fulfill its role as a global broadcaster, Phoenix has a team of presenters and reporters drawn from mainland China, Taiwan, and Hong Kong as well as from the global Chinese community.

Chen Lu Yu

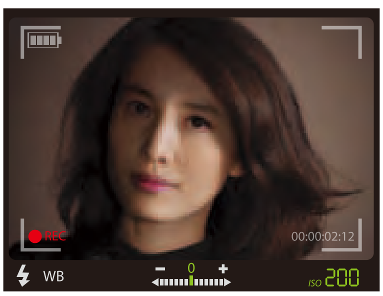


Bai Yan Qin

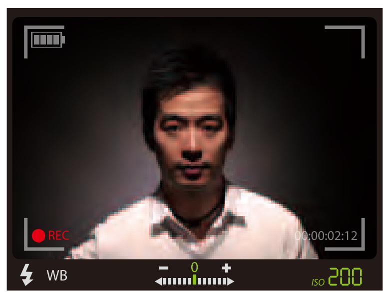


Dong Jia Yao

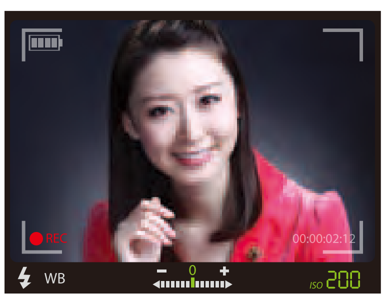
Dou Wen Tao



Chen Xiao Nan



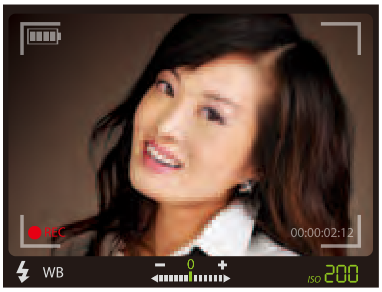
An Dong



Huang Cheng Zi

Li Hui

The core of the Phoenix team is drawn from the four corners of the Chinese mainland, from regional centres such as Shaanxi, Yunnan, Anhui, Hebei, Hunan and Fujian, as well as from major cities like Beijing, Shanghai, and Guangzhou.



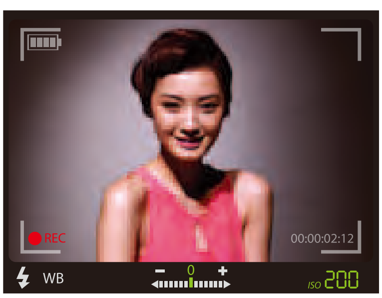
Liang Yin

Nicolas Li

Lu Chen

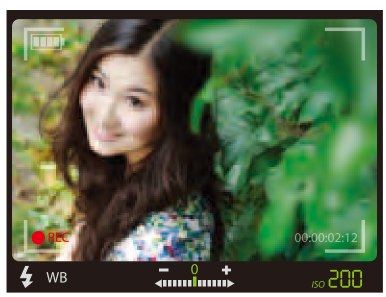
Ren Ren

Ma Bin



Lany Tian

Wang Feng



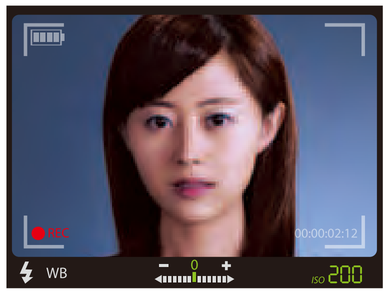
Wu Chen Cen

A Global Team

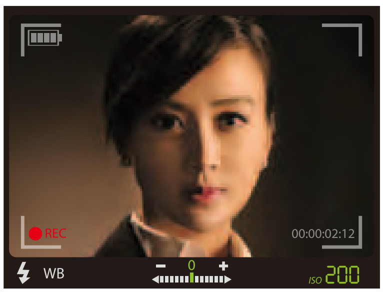
The Mainland

Jay Wan

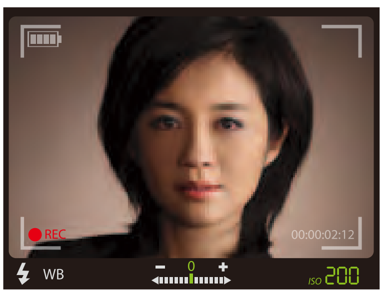
Wang Lu Xiang



Yang Shu

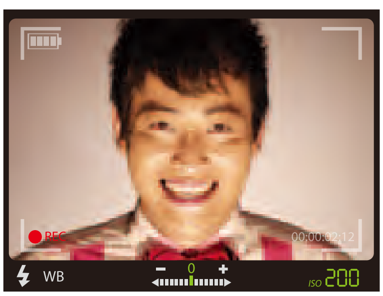


Yang Juan



Olivia Xu

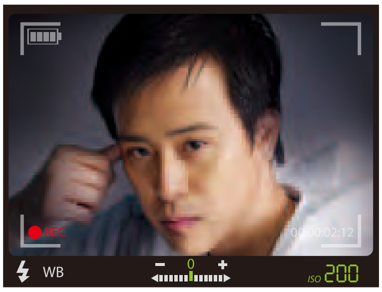
Rachel Zhao



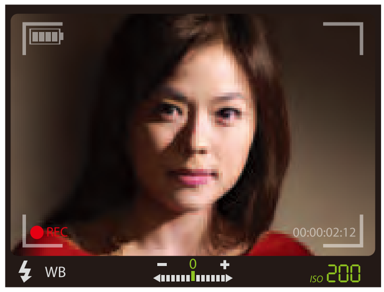
Yuchi Linjia

Taiwan

Some of the most popular Phoenix presenters come from Taiwan, bringing a distinctive style that appeals to the mainland Chinese audience.

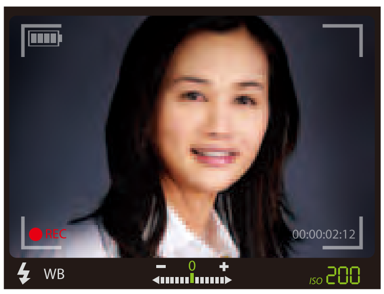


Chiang Sheng Yang

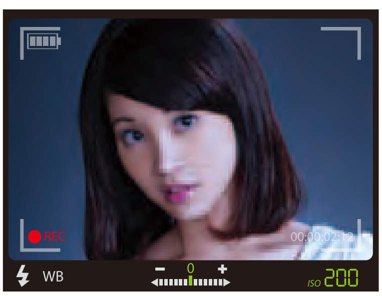


Avon Hsieh

Jason Chien



CoCo Chen



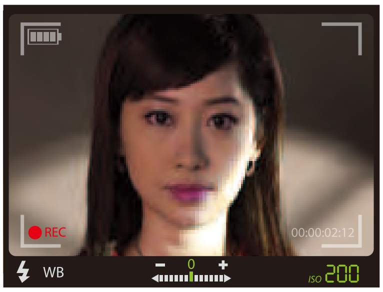
Ivy Chu

Grace Li

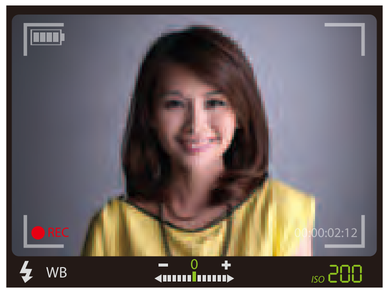
A Global Team

Taiwan

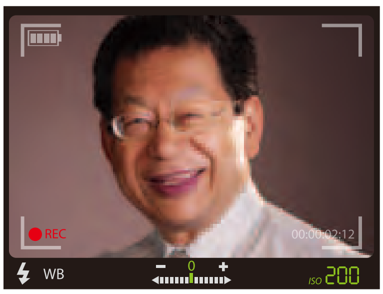
Tiger Hu



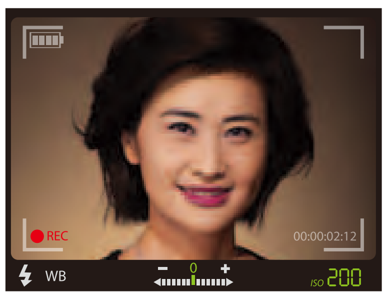
Shannon Liu



Jade Lin



Shih Chi Ping



Sally Wu

Vie Tseng

Hong Kong and rest of the World

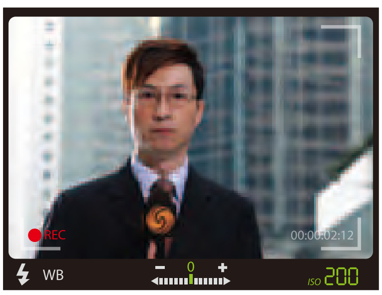
With its headquarters in Hong Kong, Phoenix has a strong contingent of reporters, presenters and cameramen who originate from Hong Kong, and who bring a high level of professional and technical competence of Phoenix.

The Phoenix team also includes key players who have close ties with the rest of the world, having worked, studied or acquired citizenship in many countries, including Australia, Canada and the United States.

Chan Wing Luk

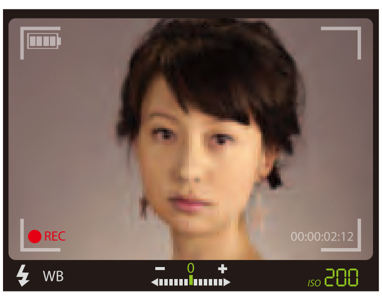
Angela Chow

Cheng Kai Nam



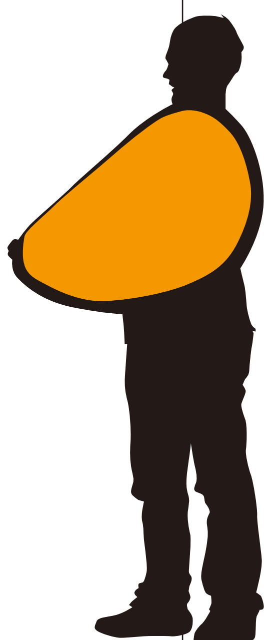
Sammy Chin

Du Ping



Ada Lau

Lawrence Ho



A Global Team

Hong Kong and rest of the World

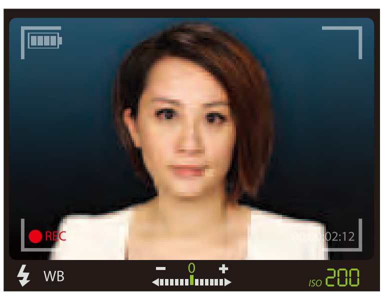
Li Wei

Leung Man Tao

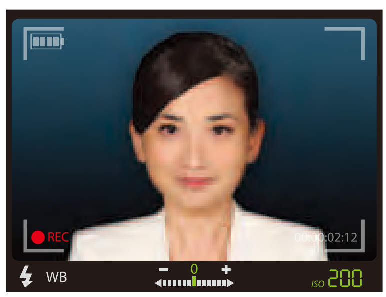
Ma Ding Shing

Rose Luqiu

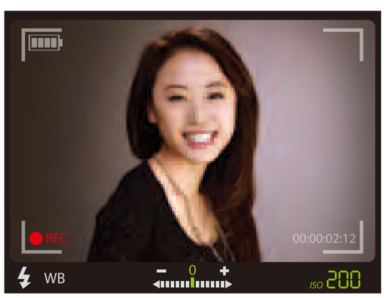
Michelle Lo



Vienna Cheuk

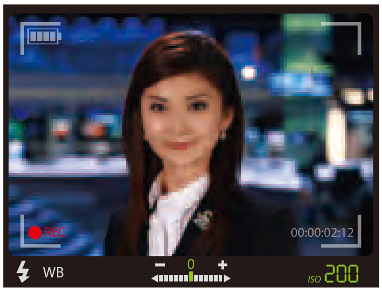


Angel Lee



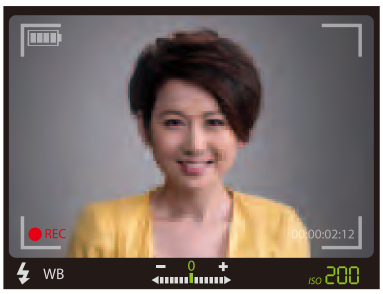
Fu Xiao Tian

Qiu Zhen Hai

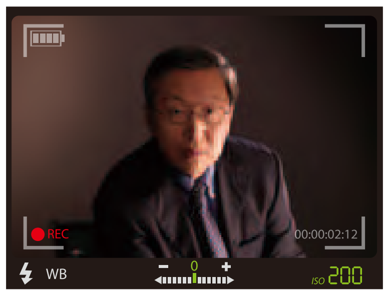


Lily Siu

Anthony Yuen

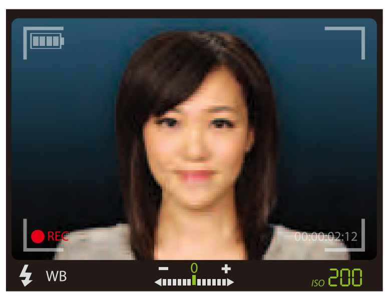


Toni Wong



Zheng Hao

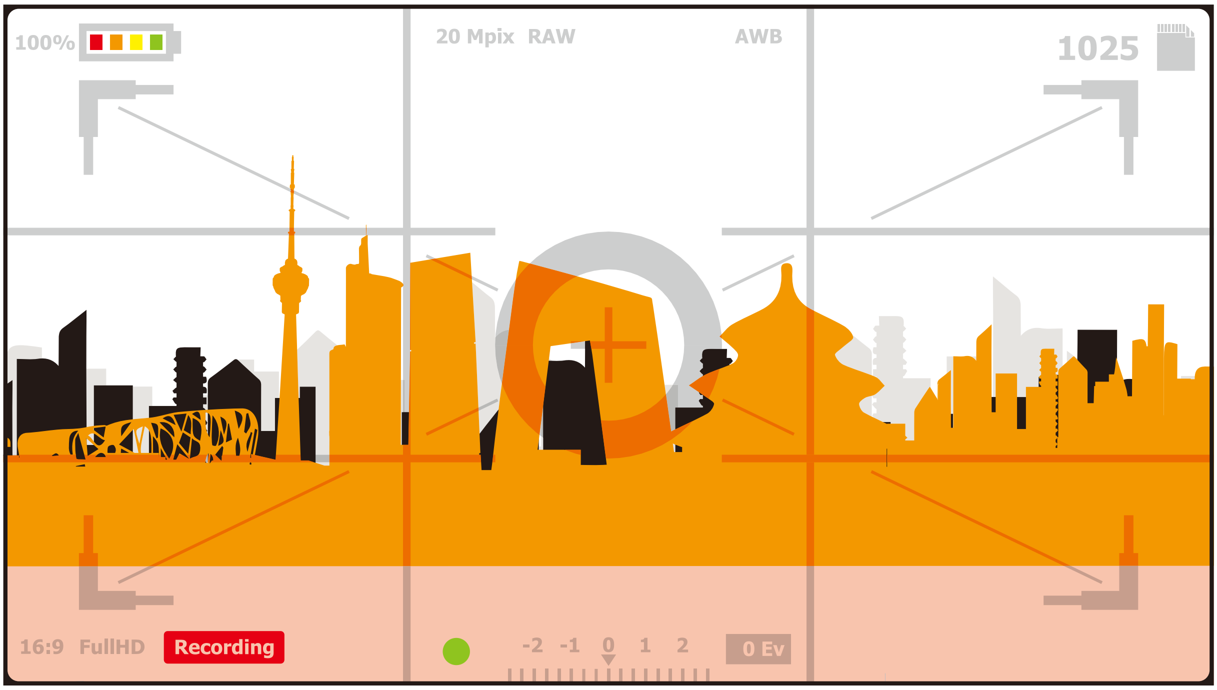
Zhu Wen Hui



Karen Chiu

Jophine Cheung

The Chinese Gateway

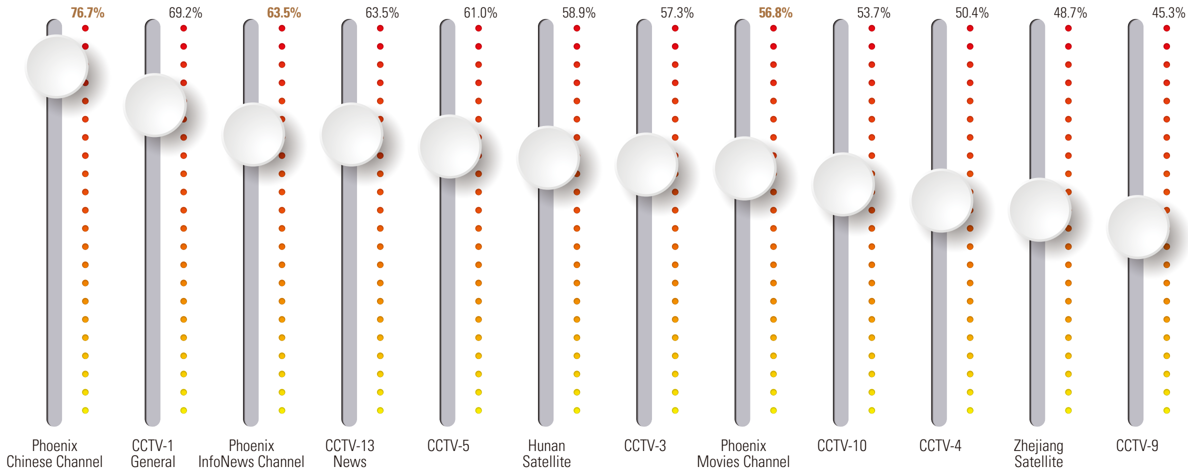


- According to the 2014 Q3-Q4 "Phoenix Audience Appreciation Survey" conducted by CTR Market Research, Phoenix Chinese Channel continued to surpass other satellite channels in China by securing the number one position in the Audience Satisfaction Index. Since 2004, this has been the twenty-second time that Phoenix Chinese Channel has ranked at the top of the Audience Satisfaction chart.

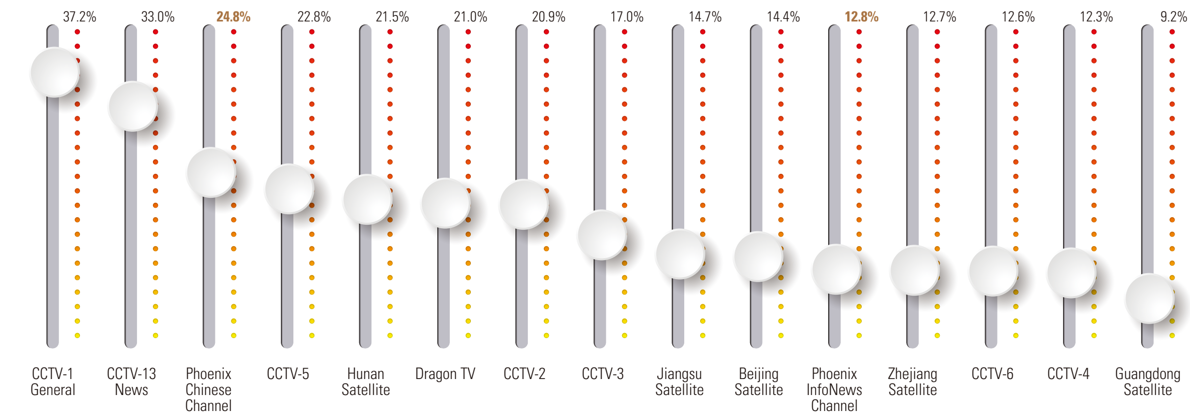
- Phoenix Chinese Channel and Phoenix InfoNews Channel achieve a high level of audience attention in offices or hotels. This high level of attention shows that Phoenix Satellite Television has a clear market positioning among office staff, and it also demonstrates that the information and news content of Phoenix Satellite Television satisfies the tastes and interests of this group of viewers.

- In 2014, Phoenix Chinese Channel's daily viewing among business executives saw 6% year-on-year growth, and continued to rank as the third most popular nationwide channel. Phoenix InfoNews Channel's daily viewing among business executives rose 11% when comparing to the previous year. These figures clearly demonstrate the extensive influence that Phoenix Satellite Television enjoys among Chinese business executives.

Audience Satisfaction

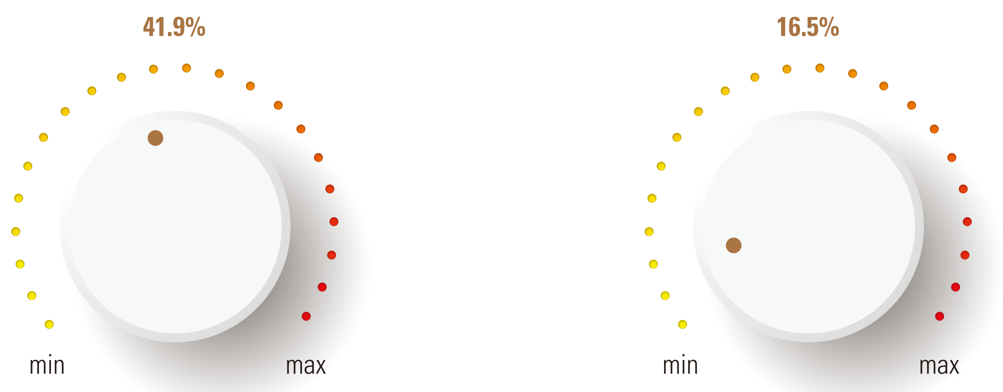


Phoenix Chinese Channel is the third most popular channel* among Business Executives



* Nationwide Channel / watched yesterday %

Phoenix Chinese Channel receives high attention in offices or hotels



Phoenix Chinese Channel

Phoenix InfoNews Channel

Corporate Information

BOARD OF DIRECTORS

Executive Directors

LIU Changle *(Chairman and CEO)*
CHUI Keung *(Deputy CEO)*
WANG Ji Yan

Non-executive Directors

SHA Yuejia
GAO Nianshu
GONG Jianzhong
SUN Yanjun

Independent Non-executive Directors

LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei

Alternate Director

LAU Wai Kei, Ricky

COMPLIANCE OFFICER

CHUI Keung

COMPANY SECRETARY

YEUNG Ka Keung, A.C.A.

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

QUALIFIED ACCOUNTANT

YEUNG Ka Keung, A.C.A.

AUDIT COMMITTEE

Thaddeus Thomas BECZAK *(Chairman)*
LEUNG Hok Lim
GONG Jianzhong

NOMINATION COMMITTEE

Thaddeus Thomas BECZAK *(Chairman)*
LEUNG Hok Lim
CHUI Keung

REMUNERATION COMMITTEE

Thaddeus Thomas BECZAK *(Chairman)*
LO Ka Shui
LEUNG Hok Lim
GAO Nianshu

AUDITOR

PricewaterhouseCoopers

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 2-6 Dai King Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications
CITIC Bank International Limited
China Merchant Bank

WEBSITES

www.ifeng.com
www.irasia.com/listco/hk/phoenixtv

STOCK CODE

02008

Comments on Segmental Information

	Year ended 31 December			
	2014		2013	
	Revenue HK$'000	**Segment result HK$'000**	Revenue HK$'000	Segment result HK$'000
Television broadcasting	**1,997,976**	**883,658**	2,374,864	1,173,549
New media	**1,989,680**	**453,100**	1,751,100	392,946
Outdoor media	**553,604**	**42,410**	612,823	98,689
Real estate	**3,713**	**164,561**	1,157	89,977
Other businesses	**73,392**	**(52,031)**	66,514	(34,023)
Group's total revenue and segment results	**4,618,365**	**1,491,698**	4,806,458	1,721,138
Unallocated income		**27,219**		31,753
Unallocated expenses		**(335,909)**		(302,790)
Profit before share of results of joint ventures and associates, income tax and non-controlling interests		**1,183,008**		1,450,101

Revenue from television broadcasting, comprising of advertising, subscription and other revenue sources, which accounted for 43.3% of the total revenue of the Group for the year ended 31 December 2014, decreased by 15.9% to approximately HK$1,997,976,000 (year ended 31 December 2013: HK$2,374,864,000). The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. The segmental result for the television broadcasting business recorded a profit of approximately HK$883,658,000 for the year ended 31 December 2014 (year ended 31 December 2013: HK$1,173,549,000).

Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 39.4% of the total revenue of the Group for the year ended 31 December 2014, decreased by 17.5% to approximately HK$1,821,051,000 (year ended 31 December 2013: HK$2,207,217,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others increased by 5.5% as compared to the previous year to approximately HK$176,925,000 (year ended 31 December 2013: HK$167,647,000).

Management Discussion and Analysis

The new media operations, which make Phoenix programming available on the internet and on a number of mobile telecommunication networks, contributed to enhancing the profile of the Group as a television broadcaster. The revenue of the new media business for the year ended 31 December 2014 increased by 13.6% to approximately HK$1,989,680,000 (year ended 31 December 2013: HK$1,751,100,000). The segmental profit for the year ended 31 December 2014 increased by 15.3% to approximately HK$453,100,000 (year ended 31 December 2013: HK$392,946,000). Phoenix New Media has been continuously investing in the enrichment of contents, human resources and marketing activities to further strengthen the vertical channels of ifeng.com, with a general aim to foster further traffic growth, in particular to achieve a higher level of user loyalty, to increase the number of daily visitors and to enhance the brand's image.

The revenue of outdoor media business for the year ended 31 December 2014 decreased by 9.7% to approximately HK$553,604,000 (year ended 31 December 2013: HK$612,823,000). The segmental profit of outdoor media business for the year ended 31 December 2014 decreased by 57.0% to approximately HK$42,410,000 (year ended 31 December 2013: HK$98,689,000).

The segmental profit for real estate for the year ended 31 December 2014 was approximately HK$164,561,000 (year ended 31 December 2013: HK$89,977,000), which included the net fair value gain of approximately HK$175,777,000 (year ended 31 December 2013: HK$104,294,000) recognised for the investment properties.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the Business Overview and Prospects in the Chairman's Statement for commentary on the core business of the Group.

Dividends

After considering the sustainable profitability of the Group's core television broadcasting business, the board of directors of the Company (the "Directors" or the "Board") recommend the payment of a final dividend of 4 Hong Kong cents per ordinary share of the Company ("Share(s)") (final dividend for 2013 of 5.1 Hong Kong cents per Share), totaling approximately HK$199,908,000, equivalent to approximately 30.1% of profit attributable to owners of the Company, to be payable to shareholders whose names appear on the register of members of the Company on 15 June 2015, Monday. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 30 June 2015, Tuesday.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 5 June 2015, Friday at 3:00 p.m.

Closure of Register of Members

The register of members of the Company will be closed from 3 June 2015, Wednesday to 5 June 2015, Friday (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 2 June 2015, Tuesday.

The register of members of the Company will be also closed from 11 June 2015, Thursday to 15 June 2015, Monday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 10 June 2015, Wednesday.

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

In March 2014, IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. ("IDG-Accel Funds") acquired US$3,000,000 convertible preferred shares of Phoenix FM Limited, previously a subsidiary of the Company, to accelerate development of the new media's ifeng FM application business. Despite the holding of 100% of Phoenix FM Limited's ordinary shares, the Company accounts for its investment in Phoenix FM Limited as an investment in a joint venture since the Company lost unilateral control of Phoenix FM Limited due to substantive participating rights that have been provided to IDG-Accel Funds. A gain on disposal of a subsidiary of approximately HK$22,676,000 (US$2,929,000) was recognised for the year ended 31 December 2014.

In November 2014, Phoenix New Media Limited ("PNM") entered into an agreement with the founders and non-founders of Particle Inc. to purchase a number of ordinary shares of Particle Inc. for a consideration of US$8.5 million (consists of US$5 million in cash and a number of restricted Class A ordinary shares of PNM valued at US$3.5 million). This transaction was completed on 23 December 2014. The fair value of the restricted Class A ordinary shares of PNM issued as of 23 December 2014 was determined to be US$2.8 million. Subsequent to this investment in Particle Inc., considering PNM has significant influence over certain operating and financial decisions of Particle Inc., the investment is treated as an associate of the Group.

The investment in ordinary shares of US$7.8 million (approximately HK$60.9 million) (being the cash paid and fair value of shares issued) has been included in "investments in an associates" in the consolidated balance sheet.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 December 2014.

Liquidity and Financial Resources

The liquidity and financial resources of the Group as at 31 December 2014 remained solid as recurring cash flows from the businesses of the Group continued to remain steady and strong. As at 31 December 2014, the Group had cash and cash equivalents and current bank deposits totaling approximately HK$3,701,792,000 (as at 31 December 2013: HK$3,662,582,000). The aggregate outstanding borrowings of the Group were approximately HK$1,131,366,000 (as at 31 December 2013: HK$745,227,000), representing non-interest bearing loans from non-controlling shareholders of a subsidiary, secured and interest bearing bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings.

Management Discussion and Analysis

The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 49.0% as at 31 December 2014 (as at 31 December 2013: 37.8%). The net cash and bank deposits balance after deduction of the total liabilities was HK$1,131,718,000 as at 31 December 2014 (as at 31 December 2013: HK$1,793,025,000).

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

Charge on Assets

As at 31 December 2014, the land in Chaoyang Park, Beijing, together with the development site, with carrying value of approximately HK$121,000,000, HK$547,000,000 and HK$1,504,000,000 (as at 31 December 2013: HK$125,000,000, HK$415,000,000 and HK$1,163,000,000) recorded in lease premium for land, property, plant and equipment (as at 31 December 2013: construction in progress) and investment properties respectively were pledged with a bank to secure bank borrowings to fund the construction work on the Phoenix International Media Centre in Beijing. A long-term bank deposit of approximately HK$283,006,000 (as at 31 December 2013: Nil) was pledged with a bank to secure a bank borrowing to optimise return through interest differential. The property in the United States with carrying value of approximately HK$2,851,000 (as at 31 December 2013: HK$2,890,000) was pledged with a bank to secure a bank borrowing. Deposits of approximately HK$1,603,000 were pledged with banks to secure banking guarantees given to third parties (as at 31 December 2013: HK$1,003,000).

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2014 and 31 December 2013.

Capital Structure

During the year ended 31 December 2014, other than the exercise of share options granted, there was no change in the share capital of the Company. As at 31 December 2014, the operations of the Group were mainly financed by owners' equity, bank borrowings, loan from non-controlling shareholders of a subsidiary and banking facilities.

Staff

As at 31 December 2014, the Group employed 3,352 full-time staff (as at 31 December 2013: 3,033) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2014 increased to approximately HK$1,263,057,000 (year ended 31 December 2013: HK$1,136,789,000).

Significant Investments Held

As at 31 December 2014, the Group invested in listed security investments and unlisted preferred shares recognised as "available-for-sale financial assets" and "derivative financial instruments" with estimated fair market value of approximately HK$22,590,000 (as at 31 December 2013: HK$25,689,000) and HK$88,875,000 (as at 31 December 2013: Nil) respectively. Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2014.

Future Plans for Material Investments and Expected Source of Funding

The Company has been approved by The Stock Exchange of Hong Kong Limited ("Stock Exchange") to proceed with the proposed spin-off of Phoenix Metropolis Media Technology Company Limited ("PMM Beijing"), a subsidiary engaged in the outdoor media business in China, for listing on the main board of the Shanghai Stock Exchange ("Proposed Listing").

PMM Beijing's application for the Proposed Listing has been formally accepted by the China Securities Regulatory Commission on 19 April 2013 with the issuance of an Acceptance Notice of Administrative Approval Application. For details, please refer to the announcement of the Company published on 19 April 2013.

The Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing businesses. As at 31 December 2014, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Purchase, Sale or Redemption of Securities

The Company had not redeemed any Shares during the year ended 31 December 2014. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the year ended 31 December 2014.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. LIU Changle, aged 63, was appointed the chairman and chief executive officer of the Company on 2 February 2000. He founded Phoenix Satellite Television Company Limited ("Phoenix HK") in 1996, and it is now a globally renowned transnational multimedia group and a company listed on the Stock Exchange. Phoenix now operates six satellite TV channels and has expanded into other areas of business, including new media, outdoor LED advertising, weekly magazine, publishing, radio broadcasting and education.

Mr. LIU gained widespread recognition both locally and overseas for his enthusiasm for and achievements in the media industry. Mr. LIU is the recipient of numerous titles and awards, among which include "Wiseman of the Media Industry", "Leader of Global Mandarin TV Program Providers", "the Most Innovative Chinese Business Leaders in the Asia Pacific Region", "Chinese Business Leader with the Utmost Social Responsibility in the Asia Pacific Region", "Outstanding Figure in Media Branding", "Top 10 Most Entrepreneurial Chinese Business Leaders", "Top 10 Most Innovative Media Entrepreneurs in Mainland China", "Person of the Chinese Charity" and "Ten Most Successful Men in China". Mr. LIU has also been awarded the "Robert Mundell Successful World CEO Award", the "Media Entrepreneur Award" in "Ernst & Young's China Entrepreneur Award" and the "Man of Year for Asia Brand Innovation Award". He is also the recipient of the "Top 10 Figures in 2009–2010 Media Convergence in China" award, the "Outstanding Media Management Award of the Chinese Society" in the Truth, Virtue and Beauty Media Award initiated by Buddhist Master Hsing Yun, the "Person of the Year" award of the Chinese Business Leaders Annual Meeting, and the "2001–2010 Outstanding Contributor to the Chinese Media" by the China Media Annual Meeting and the "Business Person of the Year Award" by the DHL/SCMP Hong Kong Business Awards 2012.

Since 2005, Mr. LIU has been the chairman of the iEMMYs Festival, which is run by the International Academy of Television Arts & Sciences. In November 2008, Mr. LIU received the International Emmy® Directorate Award.

Mr. LIU is a visiting professor at a number of universities. He has been appointed to the board of directors of Nanjing University, Tongji University and Huaqiao University. He was also conferred an honorary doctoral degree in literature by the City University of Hong Kong and was appointed the Chairman of the College International Advisory Board by the College of Business of the City University of Hong Kong.

Mr. LIU was appointed as honorary chairman of "World Chinese-language Media Co-operation Alliance" in 2009 and appointed as special consultant to the 8th Council of the Buddhist Association of China in 2010. In 2014, Mr. LIU was appointed as Deputy President of BLIA World Headquarters Sixth Board of Directors.

Mr. LIU has been appointed a Justice of the Peace by the government of the Hong Kong Special Administrative Region ("Hong Kong"). He is a member of the National Committee of the Chinese People's Political Consultative Conference, and the vice chairman of the Subcommittee on Education, Science, Culture, Health and Sports of the Eleventh National Committee of the Chinese People's Political Consultative Conference. He is a Standing Committee member of the Twelfth National Committee of the Chinese People's Political Consultative Conference.

In July 2010, Mr. LIU was awarded the Silver Bauhinia Star by the government of Hong Kong. In 2011, Mr. LIU was appointed as an independent non-executive director of China Southern Airlines Company Limited. Mr. LIU is also a shareholder and director of Today's Asia Limited, a substantial shareholder of the Company.

Mr. CHUI Keung, aged 63, appointed on 5 June 2000, is the executive Director and deputy chief executive officer of the Company. He is also a member of the nomination committee of the Company. Mr. CHUI graduated from the department of journalism of Fudan University in Shanghai and served in the China Central People's Radio Station for over 10 years. Since the establishment of Phoenix HK on 31 March 1996, he has been in charge of the overall daily operations, the public relations and promotion strategies of Phoenix HK, and the coordination of the relationships with PRC government entities. He also assists in establishing and implementing the corporate development strategies of the Company.

Throughout the term of office with Phoenix, Mr. CHUI has been instrumental in Phoenix's PRC domestic business development, programme production, advertising operation, marketing network and public relations. In 1996, he was in charge of the production of "Flying over the Yellow River", a major television programme of Phoenix HK, which achieved popular success and heightened the popularity of Phoenix in the PRC and overseas Chinese communities.

Prior to joining Phoenix, Mr. CHUI was a director and the general manager of Tianhua International Culture and Art Company Limited in Beijing focusing on developing various cultural, arts and publication businesses.

Mr. WANG Ji Yan, aged 66, appointed on 29 September 2006 as executive Director. Mr. WANG joined Phoenix HK in March 1996 and taught in Beijing Broadcasting Institute (now known as the Communication University of China) for more than twenty years.

Mr. WANG is one of the leading television programme producers in China and participated in the direction and production of a number of television programmes in early years. His television programme productions have won numerous domestic and overseas awards.

Mr. WANG is also a scholar in the television industry and has been the panelist of various international television festivals. He is also a renowned media educator and has a professor title. During the two decades of teaching in the Beijing Broadcasting Institute, he was the head of the television department for over ten years and was the deputy dean of the Beijing Broadcasting Institute for six years. Currently, he is also the PhD supervisor in Communication University of China (formerly known as Beijing Broadcasting Institute).

Directors and Senior Management Profile

Non-executive Directors

Mr. SHA Yuejia, aged 57, appointed on 19 August 2010 as non-executive Director, is also an executive director and vice president of China Mobile Limited ("China Mobile"), the ordinary shares of which are listed on the Main Board of the Stock Exchange and its American depositary shares are listed on the New York Stock Exchange, is principally in charge of marketing, data business and corporate customer management matters. Mr. SHA has been serving on the board of directors of China Mobile since March 2006 and is a vice president of China Mobile Communications Corporation, a director of China Mobile Communication Co., Ltd and a non-executive director of Shanghai Pudong Development Bank Co., Ltd. Mr. SHA previously served as director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, president of Beijing Telecommunications Planning Design Institute, deputy director general of Beijing Telecommunications Administration, vice president of Beijing Mobile Communications Company, director and vice president, chairman and president of China Mobile Group Beijing Company Limited. Mr. SHA graduated from Beijing University of Posts and Telecommunications, received a Master's Degree from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications and a doctoral degree in business administration from The Hong Kong Polytechnic University. He is a professor-level senior engineer with over 32 years of experience in the telecommunications industry.

Mr. GAO Nianshu, aged 51, appointed on 29 September 2006 as non-executive Director, is also a member of the remuneration committee of the Company and a director of Phoenix HK. Mr. GAO is currently the general manager of marketing department of China Mobile Communications Corporation and a director and member of finance committee of True Corporation Public Company Limited, the securities of which is listed on The Stock Exchange of Thailand. Mr. GAO previously served as general manager of data service department of China Mobile Communications Corporation, assistant to president of Beijing Mobile Communication Company Limited, deputy general manager and general manager of business supporting system department and deputy general manager of marketing department of Beijing Mobile Communication Company Limited.

Mr. GAO graduated from Jilin University and received a Master's degree in engineering from Institute of Computing Technology, Chinese Academy of Science and an EMBA degree from Peking University. Mr. GAO has many years of experience in the telecommunications industry.

Mr. GONG Jianzhong, aged 52, appointed on 12 January 2007 as non-executive Director, is also a member of the audit committee of the Company, is also a director of certain subsidiaries of the Company. Mr. GONG is currently a director and chief executive officer of Bank of China Group Investment Limited ("BOCGI") and a director of a number of companies controlled by BOCGI or in which BOCGI has an interest.

From 2002 to 2005, Mr. GONG was an alternate director and deputy chief executive officer of BOCGI. From 2001 to 2007, Mr. GONG was a non-executive director of China Merchants China Direct Investments Limited. Mr. GONG has over 18 years of experience in banking, administration and management. He graduated from Dongbei University of Finance and Economics in the PRC in April 1991 with a master degree in economics.

Mr. SUN Yanjun, aged 45, appointed as a non-executive Director on 5 November 2013, is an independent non-executive director and a member of the audit committee and strategic steering committee of China National Building Materials Company* (中國建材股份有限公司), the securities of which are listed on the main board of the Stock Exchange. He is also a partner and managing director at TPG. Prior to joining TPG, Mr. SUN was a managing director in the Principal Investment Area (PIA) of Goldman Sachs Group, Inc. ("Goldman Sachs") and focused on private equity investment in the Greater China region from 2006 to early 2011. Before joining Goldman Sachs, Mr. SUN was a vice president at Morgan Stanley in Hong Kong from 2004 to 2006. Prior to that, he worked for General Electric and Citigroup Inc. in the United States. Mr. Sun currently serves as a non-executive director on the board of Xinyuan Real Estate Co., Ltd., a company listed on the New York Stock Exchange.

Mr. SUN obtained a Bachelor of Economics degree from Renmin University of China and a Master of Business Administration with high distinction from the University of Michigan.

* For identification only

Independent Non-executive Directors

Dr. LO Ka Shui, aged 68, appointed on 5 June 2000 as independent non-executive Director, is also a member of the remuneration committee of the Company. Dr. LO is the chairman and managing director of Great Eagle Holdings Limited, the chairman and non-executive director of Eagle Asset Management (CP) Limited (Manager of Champion Real Estate Investment Trust) and LHIL Manager Limited (Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. He is also an independent non-executive director of Shanghai Industrial Holdings Limited, China Mobile Limited and City e-Solutions Limited. Dr. LO is a vice president of The Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and a vice chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. LEUNG Hok Lim, aged 79, appointed on 21 January 2005 as independent non-executive Director, is also a member respectively of audit, nomination and remuneration committees of the Company. Mr. LEUNG is a fellow member of CPA Australia, a member of the Macau Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Taxation Institute of Hong Kong. Mr. LEUNG is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. LEUNG is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited, and the independent non-executive director of a number of listed companies namely Yangtzekiang Garment Limited, YGM Trading Limited, S E A Holdings Limited, Fujian Holdings Limited and High Fashion International Limited.

Directors and Senior Management Profile

Mr. Thaddeus Thomas BECZAK, aged 64, is an independent non-executive Director and a member of the audit committee of the Company since 11 March 2005. He is also a member respectively of the nomination and remuneration committees of the Company. Mr. BECZAK is currently the non-executive chairman of Artisan Du Luxe Holding Limited. Mr. BECZAK is also an independent non-executive director of a number of listed companies, including Singapore Exchange Limited and Pacific Online Limited.

Mr. Beczak was previously the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited. Prior to joining China Renaissance group, he had been vice chairman of Cowen and Company, LLC. From April 2005 to March 2008, Mr. BECZAK was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V.. From September 1997 until December 2003, Mr. BECZAK was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group. Most recently, he was deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited. Previously, he had been deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

From November 1997 until December 2002, Mr. BECZAK was chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a member of the Stock Exchange and a member of board of directors of the Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC).

Prior to joining the Kerry group, Mr. BECZAK was a managing director of J.P. Morgan Inc., and president of J.P. Morgan Inc., and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks. He joined J.P. Morgan in 1974. Mr. BECZAK has over 27 years of experience in Asia.

Mr. BECZAK is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service at Georgetown. Mr. BECZAK is currently an adjunct professor of the MBA program of the Hong Kong University of Science and Technology.

Mr. FANG Fenglei, aged 63, appointed on 13 March 2013 as an independent non-executive Director, is currently a non-executive and non-independent director and member of the investment committee of Global Logistic Properties Limited, the securities of which are listed on the Mainboard of Singapore Exchange Securities Trading Limited. Mr. FANG is also the chairman of HOPU Investment Management Co., Ltd. and chairman of Goldman Sachs Gaohua Securities Company Limited. Mr. FANG previously served as a deputy chief executive officer of China International Capital Corporation Limited and chief executive officer of both BOC International Holdings Limited and ICEA Finance Holdings Limited. Mr. FANG was also a non-executive director of China Mengniu Dairy Company Limited and an independent non-executive director of Central China Real Estate Limited. Mr. FANG holds a Bachelor of Arts degree from Sun Yat-sen University.

Alternate Director

Mr. LAU Wai Kei, Ricky, aged 45, appointed on 5 November 2013 as an alternate Director to Mr. SUN Yanjun, a non-executive Director of the Company, is a partner of TPG where he has over 20 years of investment experience. Mr. LAU also serves as a director of China Grand Automotive Service Co. Ltd. and Ingham Holdings I. Pty Limited and an alternate director of Daphne International Holdings Limited. Before joining TPG, Mr. LAU was responsible for the corporate and project finance division of Hopewell Holdings Limited ("Hopewell"), a regional infrastructure project developer. He joined Hopewell in 1993 and spearheaded the development and financing of several power and transportation projects in China, India and Thailand. Mr. LAU obtained an Executive MBA from Kellogg-HKUST and graduated from the University of British Columbia and he is a CFA charterholder.

Senior Management

Mr. LIU Shuang, aged 45, appointed as the chief operating officer of the Company on 18 February 2014. He is currently the chief executive officer ("CEO") of the PNM, a non-wholly owned subsidiary of the Company, whose shares are listed by way of American Depository Shares on the New York Stock Exchange in the United States.

Mr. LIU has served as a director and CEO of PNM since its inception in 2007. Mr. LIU also has served for the Company from 2001 to the present in various managing positions, including chief operating officer, vice president and director of business development in charge of investment, finance, investor relationships, legal affairs, public affairs and development of the finance channel. Before joining the Company, Mr. LIU worked at Simpson Thacher & Bartlett LLP, Milbank, Tweed, Hadley & McCloy LLP and Morrison & Foerster LLP from 1996 to 2001. Mr. LIU received a J.D. degree from Duke University Law School, and a Bachelor's degree from University of International Business & Economic.

Mr. YEUNG Ka Keung, aged 55, is the executive vice president and chief financial officer of Phoenix HK and the Company. He is also the qualified accountant and company secretary of the Company (the "Company Secretary"). Mr. YEUNG joined Phoenix in March 1996 and is in charge of all of Phoenix's internal and external financial management and arrangements as well as the supervision of administration and personnel matters.

Mr. YEUNG graduated from the University of Birmingham and remained in the United Kingdom until 1992 after obtaining his qualification as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and Star Television Limited in the fields of finance and business development.

Mr. CHAU Kwan, aged 59, is the executive vice president of Phoenix HK and the Company. He graduated from the Beijing Broadcasting Institute in July 1990 with a major in Editing Studies in School of Television.

Mr. CHAU joined Phoenix in 1998. He was the head of Phoenix Movies Channel, director of programming of Phoenix HK, general manager of Phoenix Film and Television (Shenzhen) Co. Limited (鳳凰影視 (深圳) 有限公司) and deputy vice president of Phoenix HK. He has held the current positions since 2002. Mr. CHAU has also taken up the position of vice president of Phoenix's Shenzhen management office since 2005, and is responsible for managing the advertising operation and business of the Group.

Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company ("Shareholders") and devotes considerable effort to identifying and formalising best practices.

Corporate Governance Practices

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

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control processes. The Board had also monitored the progress on corporate governance practices of the Company throughout the year under review. The following summaries the corporate governance practices of the Company and explanations of deviations from the Code.

Unless otherwise disclosed herein, the Company has, throughout the year ended 31 December 2014, complied with the Code.

Distinctive Roles of Chairman and Chief Executive Officer

Code Provision

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

Deviation and its Reasons

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

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

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

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

Appointments, Re-Election and Removal

Code Provision

Under the Code, non-executive directors should be appointed for a specific term, subject to re-election and all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

Deviation and its Reason

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

Directors' Securities Transactions

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

Having made specific enquiry of all Directors, it was confirmed that the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2014.

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

Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company affairs.

Board of Directors (Continued)

Composition

The Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors as at 31 December 2014, which has complied with the standard as set in Rule 3.10A of the Listing Rules, where the number of independent non-executive Directors represented more than one-third of the Board.

The brief biographical details of each of the Directors and senior management are set out on page 28 to page 33 of this annual report.

The Company considers that all of the independent non-executive Directors are independent and has received from each of the independent non-executive Directors their confirmation of independence as required by the Listing Rules.

Board meetings and general meetings

The Board meets at least four times a year to review the financial and operating performance of the Group. There were four Board meetings and one AGM held in the financial year ended 31 December 2014.

Details of individual Director's attendance at board meetings ("BMs") and the AGM as follows:

Name of Directors	Attended or eligible to attend BMs	AGM
Executive Directors		
Mr. LIU Changle (Chairman and CEO)	4/4	0/1
Mr. CHUI Keung (Deputy CEO)	4/4	1/1
Mr. WANG Ji Yan	2/4	0/1
Non-executive Directors		
Mr. SHA Yuejia	3/4	0/1
Mr. GAO Nianshu	3/4	0/1
Mr. GONG Jianzhong	2/4	0/1
Mr. SUN Yanjun	4/4	0/1
Independent non-executive Directors		
Dr. LO Ka Shui	3/4	0/1
Mr. LEUNG Hok Lim	4/4	1/1
Mr. Thaddeus Thomas BECZAK	3/4	1/1
Mr. FANG Fenglei	3/4	0/1
Alternate Director		
Mr. LAU Wai Kei, Ricky (alternate to Mr. SUN Yanjun)	n/a	n/a

Board of Directors (Continued)

Board meetings and general meetings (Continued)

During the regular Board meetings held on 13 March, 15 May, 13 August and 11 November of year 2014, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discussed the half-yearly and annual results, as well as discussed and decided on other significant matters.

The management is responsible for the day-to-day operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Liability insurance for Directors and senior management officers of the Company is maintained by the Company with appropriate coverage for liabilities which may arise in the course of performing their duties.

Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, the Company had arranged an in-house training for Directors covering the topic entitled "Handling Investigations by the Securities and Futures Commission". In addition, reference materials were from time to time provided to Directors to update them with the relevant laws and Listing Rules. At the end of each financial year, each Director is required to provide a summary of training records to the Company. As at the date of this report, all Directors have submitted their training records to the Company.

Board of Directors (Continued)

Directors' training and professional development (Continued)

During the year under review, the Directors had participated in the following continuous professional development to develop and refresh their knowledge and skills:

Name of Directors	Attended trainings conducted by professional parties	Reading materials relevant to the Company's business or director's duties and responsibilities	Attended in-house seminar conducted by the Company
Executive Directors			
Mr. LIU Changle (Chairman and CEO)		√	√
Mr. CHUI Keung (Deputy CEO)		√	√
Mr. WANG Ji Yan		√	√
Non-executive Directors			
Mr. SHA Yuejia		√	
Mr. GAO Nianshu		√	
Mr. GONG Jianzhong		√	
Mr. SUN Yanjun		√	
Independent non-executive Directors			
Dr. LO Ka Shui		√	
Mr. LEUNG Hok Lim	√	√	
Mr. Thaddeus Thomas BECZAK	√	√	
Mr. FANG Fenglei		√	√
Alternate Director			
Mr. LAU Wai Kei, Ricky	√		

Corporate Governance Functions

The Board is responsible for the following corporate governance functions:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance report.

The Board has reviewed the policy and practices in accordance with the Code and its own CG Code.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 1 September 2013 which aims to set out the approach to achieve board diversity on the Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background or professional experience. The Company will also take into account of factors based on its own business model and specific needs from time to time.

In addition, Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background or professional experience. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to the Board.

The nomination committee was delegated with the responsibility to review at least annually on the Board's composition under diversified perspectives and monitor the implementation of this policy.

Board Committees

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference based upon the guideline recommended by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

Corporate Governance Report

Board Committees (Continued)

Audit Committee (Continued)

The primary duties of the Audit Committee are to review the Company's annual report and accounts and half-yearly report and to provide advices and comments thereon to the Board. The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The terms of reference of the Audit Committee was published on both the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises one non-executive Director, namely Mr. GONG Jianzhong and two independent non-executive Directors, namely Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim.

During the year under review, the Audit Committee had held two meetings. Details of the attendance record of the Audit Committee meetings are as follows:

Name of Directors	Attended/Eligible to attend
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	2/2
Mr. LEUNG Hok Lim	2/2
Non-executive Director	
Mr. GONG Jianzhong	1/2

The Audit Committee reviewed the Group's interim and annual results in year 2014 with management and the Company's external auditor and recommended their adoption to the Board. They had also discussed key risk and internal control matters, reviewed the audit plans, internal control performance as well as the effectiveness of the internal control system.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") with written terms of reference in alignment with the code provisions set out in the Code.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and members of senior management of the Company.

The Remuneration Committee currently comprises one non-executive Director, namely Mr. GAO Nianshu and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

Board Committees (Continued)

Remuneration Committee (Continued)

During the year under review, one meeting of the Remuneration Committee was held and was attended by the following members:

Name of Directors	Attended/Eligible to attend
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	1/1
Dr. LO Ka Shui	1/1
Mr. LEUNG Hok Lim	1/1
Non-executive Director	
Mr. GAO Nianshu	1/1

During the year under review, the Remuneration Committee had reviewed and recommended to the Board the bonus payments for year 2014 and the increment in salary for year 2015 for the executive Directors and the senior management staff of the Company.

The terms of reference of the Remuneration Committee include the adoption of a model where Remuneration Committee will play an advisory role whilst the Board retains full authority on all issues proposed. The terms of reference are available on both the websites of the Company and the Stock Exchange.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") with its written terms of reference in alignment with the code provisions as set in the Code.

The primary functions of the Nomination Committee are to review the structure, size and the diversity of the Board annually, to access the independence of independent non-executive Directors, to review the proposed appointment of new director(s) and to make recommendations to the Board when necessary.

The Nomination Committee comprises two independent non-executive Directors namely, Mr. Thaddeus Thomas BECZAK (Chairman) and Mr. LEUNG Hok Lim and one executive Director namely Mr. CHUI Keung.

Corporate Governance Report

Board Committees (Continued)

Nomination Committee (Continued)

During the year under review, one meeting of the Nomination Committee was held and was attended by the following members:

Name of Directors	Attended/Eligible to attend
Independent non-executive Directors	
Mr. Thaddeus Thomas BECZAK (Chairman)	1/1
Mr. LEUNG Hok Lim	1/1
Executive Director	
Mr. CHUI Keung	0/1

The Nomination Committee had reviewed the structure, size, composition and diversity of the Board, in accordance with the Board Diversity Policy, which considered a number of factors including age, cultural and education background and professional expertise. The Nomination Committee had also reviewed the independence of independent non-executive Directors and considered and determined the reasons for the independence if serving more than nine years and recommended to the Board the retiring Directors standing for re-election at the forthcoming AGM.

Ad Hoc Committee

The Company adopted the terms of reference of the ad hoc committee to deal with ad hoc matters, which set out detailed directions as to the powers delegated to the ad hoc committee. Any two Directors shall form a quorum for the transaction of business.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group.

The Directors' responsibilities in the preparation of the financial statements and the independent auditor's responsibilities are set out in the Independent Auditor's Report on pages 87 to 88 of this annual report.

Internal Controls

The Board has overall responsibility for the establishment and maintenance of a sound and effective system of internal control for the Group to safeguard Shareholders' investment and the Group's assets.

To assist the Board in monitoring the internal control function, the Group has an internal audit department ("Internal Audit") in place to provide an independent and objective appraisal and assurance in areas of governance, risk management and control processes for the Group.

The Internal Audit reports functionally to the Audit Committee on risk and control matters to preserve its independence. The Internal Audit Charter and the annual internal audit plan were duly approved by the Board. Internal Audit delivers to the Audit Committee comprehensive internal audit reports on a periodic basis.

The Internal Audit evaluates the adequacy and effectiveness of the Group's system of internal control by adopting a risk-based internal auditing approach: to determine audit scoping covering major processes, activities and changes which are quantitatively or qualitatively significant to the Group, identify and assess risks and then revisit whether controls are sufficient enough to address the key risks. Internal Audit provides practical and value added recommendations on the identified internal control failings and weaknesses, among which the major audit issues would be timely escalated to management and the Audit Committee for assessment and rectifications.

In recent years, the Internal Audit's work responsibilities have been expanding from focusing purely on reporting, compliance and operational efficiency issues to assisting management and the Audit Committee members identify and deepen their understanding of business strategies, emerging risks and corporate governance.

In 2014, the Board, through the Audit Committee and with the assistance of the Internal Audit, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2014, covering all material operational, financial and compliance controls and risk management functions, and considers that the system of internal control is appropriately designed and effective.

The Audit Committee has also assessed in the aforementioned review the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's accounting and financial reporting function and considers that they are adequate.

Corporate Governance Report

External Auditor

PricewaterhouseCoopers ("PwC") has been appointed as the external auditor of the Company by Shareholders at the AGM held on 5 June 2014. The remuneration in respect of services provided by PwC for the Group is analysed as follows:

	31 December 2014 HK$	31 December 2013 HK$
Audit Service	**11,084,000**	11,236,000
Non-audit Service	**568,000**	519,000
Tax Service	**458,000**	1,440,000
Total	**12,110,000**	13,195,000

Company Secretary

Mr. YEUNG Ka Keung was appointed as Company Secretary of the Company on 25 April 2000. Mr. YEUNG confirmed to the Company that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the 2014 financial year.

Shareholders' Rights

Procedures for Shareholder(s) to propose the convening of extraordinary general meeting(s)

Pursuant to article 58 of the article of association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholder(s) to propose a person for election as a Director

Pursuant to article 88 of the articles of association of the Company, no person other than a Director of the Company retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than he in person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's head office for a minimum period of seven (7) days. The minimum period of seven (7) days for lodgment of the aforementioned notice will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

Shareholders' Rights (Continued)

Procedures for Shareholder(s) to propose a person for election as a Director (Continued)

Accordingly, if a Shareholder wishes to propose a person other than a retiring Director for election as a director of the Company at the AGM, the following documents must be lodged at the registered office or head office of the Company to the attention of the Company Secretary for a minimum seven (7) day period commencing no earlier than the day after the dispatch of the notice of the meeting.

For further details of the procedures, please refer to an announcement published on both the websites of the Company and the Stock Exchange on 28 March 2012.

Communication with Shareholders and Investors Relations

The Board has a high regard on investor relationship in particular, fair disclosure, comprehensive and transparent reporting.

Shareholders are encouraged to attend the AGM of the Company and other general meetings and the Directors always make efforts to fully address any questions raised by the Shareholders at each AGM and general meeting.

A Shareholders' Communication Policy was adopted by the Board on 28 March 2012. It aims at setting out the objectives of ensuring the Shareholders, both individual and institutional, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with Company. The policy will be under review in order to ensure its effectiveness.

On the other hand, the Company provides extensive information about the Company to the investors and potential investors through the Company's website www.ifeng.com. Hard copies of the annual report, half-year report and quarterly report (if any) are sent to all Shareholders, which are also available on the Company's website and the professional investor relation website on www.irasia.com/listco/hk/phoenixtv.

Shareholders may at any time send their enquiries either by post, by facsimiles or by email, together with their contact details, such as postal address, email or fax, to the head office of the Company at the following address, facsimile number or via email:

No. 2-6 Dai King Street, Tai Po Industrial Estate
Tai Po, New Territories, Hong Kong
Fax: (852) 2200 8340
Email: hkcss@phoenixtv.com

Conclusion

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect Shareholders' interest and the management tries to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

On behalf of the Board

LIU Changle
Chairman

17 March 2015

Corporate Social Responsibility Report

Mr. LIU Changle, Chairman of the Board and CEO of Phoenix Satellite Television Holdings Limited, said in his speech for a recent charity event, "As an enterprise develops, in addition to its economic value, it has to consider its value to society. Besides an enterprise's responsibility to deliver profits, the management should also consider its corporate social responsibilities. Phoenix has always followed such a spirit, not just giving importance to enhancing its brand influence but also highly focusing on the heavy social responsibilities we shoulder. Going forward, Phoenix will continue to take up social responsibilities as it has and put in more efforts to enhance its fulfilment of social responsibilities in the road ahead."

The management of the Group strongly believes that a successful enterprise must fulfil its social responsibilities and uphold its standard of morality and conscience. A truly outstanding enterprise is required not only to maintain good business results, but more importantly, it has to be able to gain the recognition and respect of the whole community. These are the values that Phoenix has been adhering to. Same as in the past, in 2014, Phoenix contributed to the community through a series of practical actions in the areas of charity and public welfare, environmental protection and sustainability and cared for staff. Capitalising on its media strengths in particular, Phoenix has produced and broadcasted a number of television programmes and news reports on public welfare, charity and social phenomenon out of corporate social responsibility concerns.

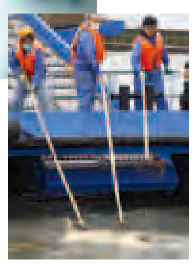
This report has recorded the Group's performance in the area of corporate social responsibility in 2014. It also serves as a platform for the Company to share with its Shareholders its philosophy, practices and achievements in relation to corporate social responsibilities.

Charity and Community Involvement

In the areas of charity and community involvement, Phoenix emphasizes on caring for and supporting children living in poverty, airing concern about social phenomena. Leveraging its own media advantages, Phoenix produces and broadcasts charity TV programmes and news reports to promote the spirit of charity.

In 2014, Phoenix continued its production of a large-scale television production titled "Charity China". This programme broadcasts various public welfare issues, including the plight and suffering of people, environmental issues and cultural heritage. It reports on featured and influential charity campaigns across the Greater China region and introduces new philanthropy concepts to the public.

Phoenix news feature programme "News Zone – Pig Carcasses in the Huangpu River" investigates the reasons for the sudden appearance of thousands of dead pigs along the Huangpu River. These dead pigs severely affected the ecology of the Huangpu River, causing pollution to surrounding soil and underground water and accordingly threatening the health of the nearby populace. Through in-depth investigations conducted on the villages concerned to explore sources of dead pigs and the reasons behind, the programme has brought to light the severe lack of capability and the presence of institutional defects for safe disposal of dead pigs. In April 2014, the programme won the Gold Plaque for the investigative reporting/news documentary category at The Chicago International Film Festival Television Awards.



Corporate Social Responsibility Report

Charity and Community Involvement

(Continued)

Phoenix attaches great concerns to the education of poor children in China. In 2014, Phoenix New Media Limited organized the "Forever Happiness • Children Education Sponsorship Programme" for the sixth consecutive year. This year, we visited primary schools in the poverty-stricken areas, including Anxiang County in Hunan Province's Changde and Muchuan County in Sichuan Province's Leshan. Volunteers and Phoenix Miss Chinese installed drinking facilities for local students (including rural Chinese children left behind with their parent in search of work in cities) and delivered electronic teaching equipment, books, stationeries and other school supplies and materials to improve the teaching environment of the schools as well as the living conditions of the students in the hope to develop fundamental education in the poverty-stricken regions.

Charity and Community Involvement

(Continued)

In September 2014, Phoenix, ifeng.com, United Charity for Chinese Rural Children, Yuz Foundation and Poly International Auction co-organized the "2014 Forever Happiness • China Rural Kids Care Night" in Beijing at which approximately RMB12 million were raised through a charity auction. The United Charity for Chinese Rural Children, being the beneficiary, received the whole sum of the funds raised, which would be allocated to the children's safety, free lunch, serious illness medicare and warmth plan projects of the China Social Welfare Foundation, the China Charities Aid Foundation for Children and the China Social Assistance Foundation. It is committed to help the Chinese children left behind in rural villages seeking due benefits in terms of personal safety, nutrition improvement, health and hygiene as well as material support. In the charity auction, ifeng.com successfully bid a few pieces of artwork at RMB680,000 (approximately HK$861,000) which were donated to the "Serious Illness Medicare Charity Fund" of the China Charities Aid Foundation for Children.

Corporate Social Responsibility Report

Charity and Community Involvement

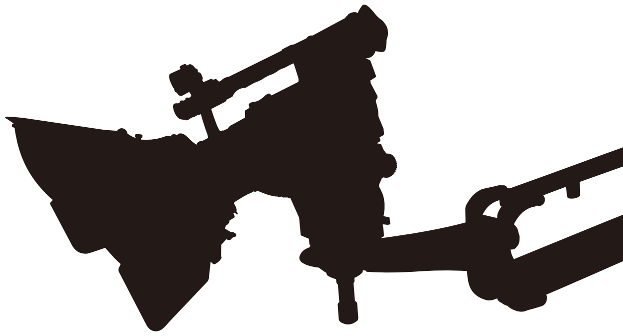
(Continued)

Since 2008, Phoenix and the National Centre for the Performing Arts have co-organized the yearly "Spring Festival Musical Gala for Chinese Around The World 2014" to make the Chinese beautiful vision of social harmony known to the world. Each year, the ticket revenue will be donated to the "Phoenix Charity Caring Foundation" (founded in 2004) managed by the China Charity Federation for organizing charitable and public welfare activities. In January 2014, the National Centre for the Performing Arts was entrusted by Phoenix to donate ticket revenue for the 2014 concert amounting to RMB340,000 (approximately HK$422,000) to the "Phoenix Charity Caring Foundation".

On 17 May 2014, Mr. LIU Changle made his speech with the theme "Love and Benevolence" for the "2014 Lingshan Philanthropy Promotion Meeting" held in Wuxi as the Group's Chairman and CEO as well as the Deputy Chairman of China Lingshan Philanthropy Promotion Association. Representatives from worldwide political, academic and industry sectors as well as charitable organizations took part in the conference to discuss China's charity issues from the global perspective. In his speech, Mr. LIU expressed that charity is the cultural aspiration of Phoenix and Phoenix has carried out a wide range of charitable activities over the years. He also stated the need to know charity and promote universal love, looking forward to charity becoming part of everyone's life in the future.

In March 2014, staff representatives from Phoenix took part in The Community Chest "New Territories Walk" held in the Stonecutters Bridge. The event aims to raise funds to benefit children and youth welfare services subsidized by The Community Chest. In the event, Phoenix doubled the donations by making the same contribution as donated by its staff.

In addition, Phoenix New Media Limited started a public welfare channel http://gongyi.ifeng.com on its portal website (www.ifeng.com). It provides instant news, updates and news from salons and seminars on public welfare and environmental protection. It also covers public welfare events held in the community, organized by enterprises and attended by celebrities.



Environmental Protection and Sustainability

In March 2014, in accordance with the cooperation agreement concluded with the State Forestry Administration, Phoenix visited Laojunshan in Yunnan Province's Lijiang, which is situated in the core of the Three Parallel Rivers region, for shooting a feature TV programme on ecology protection "Walk Along with Dreams". The programme, covering a number of ecological and environmental issues such as the natural beauty of biodiversity, the protection of Yunnan golden monkeys, the building and management of national parks as well as ecological compensation in the upper reaches of the Yangtze River, allows people to learn about the importance of ecology and environmental protection through interviews with forestry staff and filming of nature reserves.

In April 2014, Phoenix donated GBP85,000 (approximately HK$1.1 million) to The Prince's Foundation for Building Community, founded by The Prince of Wales, with the theme of urban environmental protection and sustainable community development, hoping to improve the living environment and the quality of life, which have been affected by climate change and urbanization.

In the Boao Forum for Asia held in April 2014, Mr. LIU Changle, Phoenix's Chairman and CEO, made a speech on behalf of the Group in a sub-forum with the theme "Power of Traditional Wisdom: Conversation with Asian Culture", describing the concept of taking advantage of the eastern civilization and wisdom to resolve ecological issues arising from rapid economic development.

Corporate Social Responsibility Report

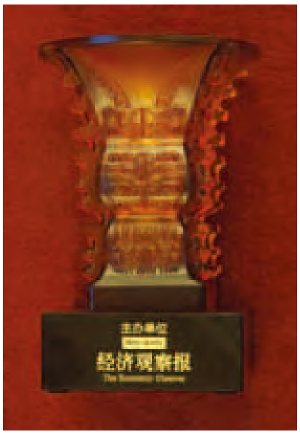
Environmental Protection and Sustainability (Continued)

Phoenix and the United Nations Educational, Scientific and Cultural Organization ("UNESCO") entered into a five-year "Strategic Partnership for Culture of Peace Programme" on 9 December 2012. Under such agreement framework, Phoenix shall donate USD1 million to UNESCO within five years for cooperation on the Culture of Peace Programme. During the cooperation, Phoenix shall work with UNESCO extensively in areas including sustainable development of humanity and culture, cultural heritage protection in chaotic countries, poverty elimination, and global children education as well as ecological environmental protection with an aim of fulfilling social responsibilities on a worldwide level. In 2014, Phoenix made a third-year donation of USD200,000 (approximately HK$1.55 million) to the "UNESCO – Phoenix Strategy Foundation" set up by UNESCO.

Workplace Quality

The Group adopts a people-oriented strategy and each employee is given a fair opportunity and competitive remuneration package. As to health and safety issues, Phoenix provides safe workplace and purchases insurance policies for its employees. As to development and training, Phoenix has put in place vocational training and sponsorship programmes to subsidise employees taking courses relating to their work for the enhancement of their knowledge and skills. As to work environment, Phoenix Hong Kong headquarters has large-scale greening, landscaping and recreational facilities to provide employees with a favourable work environment. Besides, to promote environmental protection, Phoenix encourages employees to switch to environmental friendly electric cars by setting up the electric vehicle charging devices in the car park of the Hong Kong headquarters.

Looking Ahead



In October 2014, Phoenix was awarded with the title of one of the "Most Respected Companies in China" for 2013-2014 jointly issued by the Renmin University of China and The Economic Observer. The award aims to promote corporate social responsibilities and drive the progress of enterprise and society through selection of the most respected companies. Phoenix is the only media enterprise that is granted with such an honour for 12 consecutive times since the launch of the award. Mr. LIU Changle, Phoenix's Chairman and CEO, said in his acceptance speech, "Phoenix, which has never slackened on implementing its social responsibility and historical mission in the recent 20 years, is proud of being named as the most respected company for a dozen times and our efforts will be continuous". Looking ahead, the Group will continue to fulfil its corporate social responsibilities while pursuing better business performance and value maximization for shareholders. Capitalising on its media advantages, Phoenix will strive to exert its influence as a role model in society and create excellent media credibility through the care for humanity and social responsibilities.

This CSR Report was written with reference to the "Environmental, Social and Governance Reporting Guide" published by the Stock Exchange of Hong Kong Limited. The full text of the CSR Report has been verified by the Internal Audit department of the Group for the purpose of providing independent and objective assurance on the accuracy, reliability and completeness of the contents set out in the CSR Report. The Internal Audit department considers that the CSR Report reflects the performance of the Group in respect of corporate social responsibilities in a reliable and clear manner and the representations contained therein are true and accurate. Your feedback regarding this report is welcomed and could be sent to the Group's CSR communication channel at csr@phoenixtv.com.

Report of Directors

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

Principal Activity and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 20 to the consolidated financial statements.

An analysis of the Group's performance for the year by reportable segments is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 89.

The Board recommends the payment of a final dividend of 4 Hong Kong cents per ordinary Share, totalling approximately HK$199,908,000 to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2015, Monday. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on or around 30 June 2015, Tuesday.

Closure of Register of Members

The register of members of the Company will be closed from 3 June 2015, Wednesday to 5 June 2015, Friday (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 2 June 2015, Tuesday.

The register of members of the Company will be also closed from 11 June 2015, Thursday to 15 June 2015, Monday (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 10 June 2015, Wednesday.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Movements in the reserves of the Company during the year are set out in Note 35 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$3,995,000 (2013: HK$4,282,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

Investment Properties

Details of the movement in investment properties of the Group during the year are set out in Note 16 to the consolidated financial statements.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the year are set out in Note 33 and Note 34, respectively, to the consolidated financial statements.

Pre-Emptive Rights

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2014, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$252,239,000 (2013: HK$508,803,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 222.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its Shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the year.

Report of Directors

Share Option Schemes

(A) Share Option Schemes of the Company

(1) Summary of Post-IPO Share Option Scheme

Purpose of the scheme

The purpose of the Post-IPO Share Option Scheme is to retain and provide incentives to the employees of the Group to achieve its business objectives.

The participants of the scheme

Employees of any member of the Company, including any executive directors of any member of the Group, in full-time employment with the Company (or its subsidiaries) may take up options to subscribe for Shares.

The total number of securities available for issue

Shareholders' approval had been obtained on 6 August 2002 to refresh the 10% limit. The Directors might grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 9.87% of the issued share capital as at the date of this report.

The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Post-IPO Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	Percentage of Shares comprised in an option which is vested and exercisable
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	up to 100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the committee established for administration of the Post IPO Share Option Scheme and will be no less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheets from the Stock Exchange on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (c) the nominal value of the Shares.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(1) Summary of Post-IPO Share Option Scheme (Continued)

The remaining life of the scheme

The Post-IPO Share Option Scheme has no remaining life as no further options can be granted but the provisions of the scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Post-IPO Share Option Scheme may continue to be exercisable in accordance with the terms of issue.

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

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Balance as at 1 January 2014	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
15 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	5,182,000	–	(426,000)	4,756,000

During the year ended 31 December 2014, 426,000 options granted to employees of the Group were exercised. At the date before the options were exercised, the weighted average market price was HK$2.63.

Save as disclosed above, no option was granted, exercised, lapsed or cancelled during the year.

During the year ended 31 December 2014, no option was granted to the Directors, chief executives or substantial Shareholders, or their respective associates, or to the suppliers of goods or services under the Post-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the Post-IPO Share Option Scheme.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of New Share Option Scheme

On 19 June 2009, the Shareholders approved and adopted the New Share Option Scheme of the Company. The New Share Option Scheme is administered by a committee of four Directors.

Purpose of the scheme

The purpose of the scheme is to retain and provide incentive to the employees of the Group to achieve its business objectives.

The participants of the scheme

Any full-time employees of the Group, including any director of the Group, may take up options to subscribe for the Shares.

The total number of securities available for issue

The total number of the Shares in respect of which options are issuable under the scheme is 495,441,200 Shares, representing 9.91% of the issued share capital of the Company as at the date of this report.

The maximum entitlement of each participant under the scheme

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of the Shares are subject of such option, when added to the number of the Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of the Shares previously subscribed by the eligible person under any options granted to the eligible person under the New Share Option Scheme exceeding 25% of the aggregate number of the Shares available for subscription under the scheme at that time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Share in issue.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of New Share Option Scheme (Continued)

Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following vesting schedule:

Date of exercise of an option	Percentage of Shares comprised in an option which is vested and exercisable
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	up to 100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the New Share Option Scheme Committee and will be no less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant and (c) the nominal value of the Shares.

Share Option Schemes (Continued)

(A) Share Option Schemes of the Company (Continued)

(2) Summary of New Share Option Scheme (Continued)

The remaining life of the scheme

The New Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

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

Type and Number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of share options: Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	1,854,000	–	–	(82,000)	1,772,000
3 Executive Directors									
LIU Changle	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	4,900,000	–	–	–	4,900,000
CHUI Keung	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	–	–	–	3,900,000
WANG Ji Yan	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	3,900,000	–	–	–	3,900,000
508 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	87,370,000	–	(2,010,000)	–	85,360,000
6 employees	2011.06.28	2011.06.28 to 2015.06.27	2012.06.28 to 2021.06.27	3.06	2,790,000	–	–	–	2,790,000
Total:					104,714,000	–	(2,010,000)	(82,000)	102,622,000

During the year ended 31 December 2014, 2,010,000 options granted to 26 employees were lapsed when they ceased employment with the Company.

During the year ended 31 December 2014, 82,000 options were exercised. At the date before the options were exercised, the weighted average market price was HK$2.94. Save as disclosed above, no options was granted, exercised, lapsed or cancelled during the year. No option was granted to the Directors, chief executives or substantial Shareholders, or their respective associates, or to the suppliers of goods or services under the New Share Option Scheme. No participant was granted any option in excess of the individual limit as set out under the New Share Option Scheme.

Report of Directors

Share Option Schemes (Continued)

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

(1) PNM Share Option Scheme

On 20 June 2008, the Shareholders approved the share option scheme ("PNM Share Option Scheme") of PNM, a subsidiary of the Company.

Summary of PNM Share Option Scheme

Purpose of the scheme

The purposes of the PNM Share Option Scheme is to recognise the contribution or potential contribution of the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates by granting options to them as incentives or rewards.

The participants of the scheme

Subject to the terms of the PNM Share Option Scheme and for so long as PNM remains a subsidiary of the Company, subject also to the Listing Rules, the board of directors of PNM ("PNM Board") may, at its absolute discretion (subject to any terms and conditions as it may think fit) during the scheme period, make offers to any eligible persons to take up options. The eligibility of the eligible persons is determined by the PNM Board with reference to their past and expected commitment and contribution to PNM and/or its affiliates.

The total number of securities available for issue

The total number of shares of PNM ("PNM Shares") available for issue under options which may be granted under the PNM Share Option Scheme and any other share option schemes of PNM shall not in aggregate exceed 10% of 320,000,000 of PNM Shares in issue on 20 June 2008, being the effective date of PNM Share Option Scheme.

On 8 June 2012, the Shareholders approved to refresh and renew the scheme mandate limit of the PNM Share Option Scheme and any other share option schemes of PNM to enable grant of further options to subscribe for up to 31,410,107 Class A ordinary of PNM Shares, representing 10% of Class A ordinary PNM Shares in issue on 8 June 2012.

On 5 June 2014, the extraordinary general meeting ("EGM") of the Company passed the refreshment of scheme mandate limit under the PNM Share Option Scheme. Based on 284,014,925 Class A ordinary PNM Shares in issue, the scheme mandate limit has been "refreshed" to enable grant of further options to subscribe for up to 28,401,492 Class A ordinary PNM Shares, representing 10% of the Class A ordinary PNM Shares in issue as at the date of the EGM.

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders and shareholders of PNM ("PNM Shareholders") in the manner set out in the PNM Share Option Scheme, the total number of PNM Shares issued and to be issued upon the exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period up to and including the offer date shall not exceed 1% of the PNM Shares in issue as at the offer date.

Time of exercise of option

Pursuant to the PNM Share Option Scheme, options may be exercised with its terms at any time during a period as notified by the PNM Board to each eligible person in the offer, provided that such period shall not be longer than 10 years from the date of offer. The PNM Board may also impose restrictions on the exercise of an option during the period an option may be exercised.

The amount payable on acceptance of the option

Pursuant to the PNM Share Options Scheme, HK$1.00 (or foreign currency equivalent) is payable to PNM by the eligible persons by 5:00 p.m. on the date specified in the offer letter as the latest date for acceptance.

The basis of determining the exercise price

The option price shall be determined by the PNM Board on a fair and reasonable basis, taking into consideration the prevailing market condition, performance of PNM and after having assessed the efforts, performance and/or future potential contribution of the eligible person to the success of the business and operations of PNM (and its affiliates from time to time), which shall be no less than the nominal value of the PNM Shares on the date of offer.

Report of Directors

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

The remaining life of the scheme

The PNM Share Option Scheme will remain valid for a period of 10 years commencing on 20 June 2008 save that PNM, by an ordinary resolution of PNM Shareholders and an ordinary resolution of the Shareholders (for so long as PNM remains a subsidiary of the Company) in general meetings may at any time terminate the operation of the PNM Share Option Scheme.

During the year ended 31 December 2014, 21,052,758 options were granted to eligible persons consisting of staff of Fenghuang On-line (Beijing) Information Technology Company Limited, a wholly-owned subsidiary of PNM, under the PNM Share Option Scheme.

During the year ended 31 December 2014, 3,423,464 options granted to 44 employees were exercised at US$0.03215 per share. At the date before the options were exercised, the weighted average market price was US$1.30.

During the year ended 31 December 2014, 3,118,558 options granted to 39 employees were exercised at US$0.4459 per share. At the date before the options were exercised, the weighted average market price was US$1.30.

During the year ended 31 December 2014, 4,013,850 options granted to 16 employees lapsed and cancelled. Details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

				Number of share options				
Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
LIU Shuang (Note)	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	–	–	–	2,900,000
LI Ya (Note)	2013.12.10	2014.12.10-2023.12.09	1.08443	1,900,000	–	–	–	1,900,000
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	5,763,500	–	–	(2,363,648)	3,399,852
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2008.07.24-2018.05.25	0.03215	24,000	–	–	(24,000)	–
	2008.07.04	2008.07.31-2018.05.25	0.03215	1,200	–	–	(1,200)	–
	2008.07.04	2008.08.20-2018.05.25	0.03215	6,000	–	–	(6,000)	–
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	–	–	–	3,375

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Number of share options: Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	–	–	–	16,500
	2008.07.04	2008.10.08-2018.05.25	0.03215	12,000	–	–	(12,000)	–
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	–	–	–	4,500
	2008.07.04	2008.10.22-2018.05.25	0.03215	16,000	–	–	(12,000)	4,000
	2008.07.04	2008.10.23-2018.05.25	0.03215	6,750	–	–	–	6,750
	2008.07.04	2008.12.17-2018.05.25	0.03215	12,000	–	–	(6,000)	6,000
	2008.07.04	2008.12.24-2018.05.25	0.03215	3,750	–	–	–	3,750
	2008.07.04	2008.12.26-2018.05.25	0.03215	6,000	–	–	–	6,000
	2008.07.04	2009.01.15-2018.05.25	0.03215	439,504	–	–	–	439,504
	2008.07.04	2009.02.25-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.02.26-2018.05.25	0.03215	3,375	–	–	–	3,375
	2008.07.04	2009.03.10-2018.05.25	0.03215	20,093	–	–	(8,593)	11,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	–	–	–	2,475

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

				Number of share options				
Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
	2008.07.04	2009.03.21-2018.05.25	0.03215	12,000	–	–	–	12,000
	2008.07.04	2009.03.24-2018.05.25	0.03215	20,000	–	–	–	20,000
	2008.07.04	2009.03.31-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.01-2018.05.25	0.03215	450	–	–	–	450
	2008.07.04	2009.04.02-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.07-2018.05.25	0.03215	6,750	–	–	–	6,750
	2008.07.04	2009.04.09-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.04.15-2018.05.25	0.03215	4,000	–	–	(4,000)	–
	2008.07.04	2009.05.12-2018.05.25	0.03215	3,000	–	–	–	3,000
	2008.07.04	2009.05.19-2018.05.25	0.03215	16,688	–	–	(6,000)	10,688
	2008.07.04	2009.05.26-2018.05.25	0.03215	167,587	–	–	(71,000)	96,587
	2009.07.31	2009.07.31-2018.05.25	0.03215	450	–	–	–	450
	2009.07.31	2010.01.04-2018.05.25	0.03215	781,250	–	–	–	781,250
	2009.07.31	2010.02.13-2018.05.25	0.03215	32,000	–	–	(32,000)	–
	2009.07.31	2010.02.16-2018.05.25	0.03215	100,000	–	–	–	100,000
	2009.07.31	2010.03.11-2018.05.25	0.03215	26,000	–	–	(26,000)	–
	2009.07.31	2010.03.17-2018.05.25	0.03215	32,000	–	–	(32,000)	–

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(1) PNM Share Option Scheme (Continued)

The remaining life of the scheme (Continued)

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US$)	Number of share options Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 31 December 2014
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	–	–	–	5,250
	2009.07.31	2010.05.18-2018.05.25	0.03215	100,625	–	–	(4,624)	96,001
	2009.07.31	2010.06.22-2018.05.25	0.03215	12,800	–	–	(12,800)	–
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	–	–	–	61,600
	2009.09.15	2010.09.15-2018.05.25	0.03215	1,187,224	–	–	(299,724)	887,500
	2010.01.08	2011.01.08-2018.05.25	0.03215	104,400	–	–	–	104,400
	2010.07.01	2008.03.05-2018.05.25	0.03215	135,000	–	–	–	135,000
	2010.07.01	2010.09.15-2018.05.25	0.03215	26,000	–	–	–	26,000
	2010.07.01	2010.10.09-2018.05.25	0.03215	5,000	–	–	–	5,000
	2010.07.01	2011.02.21-2018.05.25	0.03215	300,000	–	–	(80,000)	220,000
	2010.07.01	2011.06.07-2018.05.25	0.03215	56,250	–	–	–	56,250
	2010.07.01	2011.07.01-2018.05.25	0.03215	881,875	–	–	(421,875)	460,000
	2013.03.15	2014.03.15-2023.03.14	0.44593	17,308,400	–	(1,393,850)	(3,118,558)	12,795,992
	2013.10.01	2014.10.01-2023.09.30	0.78670	150,000	–	–	–	150,000
	2013.10.08	2014.10.08-2023.10.07	0.82490	6,174,500	–	(405,000)	–	5,769,500
	2013.12.10	2014.12.10-2023.12.09	1.08443	900,000	–	(900,000)	–	–
	2014.03.14	2015.03.14-2024.03.13	1.31000	–	1,330,000	(350,000)	–	980,000
	2014.06.04	2015.06.04-2024.06.03	1.27490	–	1,014,807	–	–	1,014,807
	2014.06.05	2015.06.05-2024.06.04	1.27490	–	900,000	(100,000)	–	800,000
	2014.07.11	2015.07.11-2024.07.10	1.30350	–	17,646,000	(865,000)	–	16,781,000
	2014.10.11	2015.10.11-2024.10.10	0.82490	–	161,951	–	–	161,951
Total:				39,770,121	21,052,758	(4,013,850)	(6,542,022)	50,267,007

Report of Directors

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM March 2011 Scheme

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 17 March 2011, PNM granted 19,008,200 restricted shares and 10,050,958 restricted share units under the PNM March 2011 Scheme to its employees.

The particulars and movement of the restricted share units ("RSU") granted under the PNM March 2011 Scheme during the year are as follows:

			Number of RSU				
Type of remaining grantees	Date of grant	Vesting commence date	Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2014
Employees	2011.03.17	2010.01.04	18,750	–	–	(18,750)	–
	2011.03.17	2010.01.08	3,313	–	–	(3,313)	–
	2011.03.17	2010.01.15	188	–	–	(188)	–
	2011.03.17	2010.01.18	125	–	–	(125)	–
	2011.03.17	2010.01.20	6,250	–	–	(6,250)	–
	2011.03.17	2010.01.21	188	–	–	(188)	–
	2011.03.17	2010.01.27	1,250	–	–	(1,250)	–
	2011.03.17	2010.02.01	1,250	–	–	(1,250)	–
	2011.03.17	2010.02.05	125	–	–	(125)	–
	2011.03.17	2010.02.20	125	–	–	(125)	–
	2011.03.17	2010.03.01	1,250	–	–	(1,250)	–
	2011.03.17	2010.03.08	12,500	–	–	(12,500)	–
	2011.03.17	2010.03.18	376	–	–	(376)	–
	2011.03.17	2010.03.19	1,126	–	–	(1,126)	–
	2011.03.17	2010.03.21	63	–	–	(63)	–
	2011.03.17	2010.03.23	6,250	–	–	(6,250)	–
	2011.03.17	2010.03.26	125	–	–	(125)	–
	2011.03.17	2010.03.29	2,625	–	(2,500)	(125)	–
	2011.03.17	2010.04.06	313	–	–	(313)	–
	2011.03.17	2010.04.12	188	–	–	(188)	–
	2011.03.17	2010.04.13	188	–	–	(188)	–
	2011.03.17	2010.04.16	188	–	–	(188)	–
	2011.03.17	2010.04.19	125	–	–	(125)	–
	2011.03.17	2010.04.21	251	–	–	(251)	–
	2011.03.17	2010.04.23	1,250	–	–	(1,250)	–
	2011.03.17	2010.04.26	2,563	–	(63)	(2,500)	–
	2011.03.17	2010.04.28	188	–	–	(188)	–

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM March 2011 Scheme (Continued)

Type of remaining grantees	Date of grant	Vesting commence date	Number of RSU: Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2014
	2011.03.17	2010.04.29	18,750	–	–	(18,750)	–
	2011.03.17	2010.05.04	1,689	–	–	(1,689)	–
	2011.03.17	2010.05.11	188	–	–	(188)	–
	2011.03.17	2010.05.14	1,250	–	–	(1,250)	–
	2011.03.17	2010.05.21	501	–	–	(501)	–
	2011.03.17	2010.05.24	126	–	–	(126)	–
	2011.03.17	2010.05.25	188	–	–	(188)	–
	2011.03.17	2010.05.26	63	–	–	(63)	–
	2011.03.17	2010.05.27	125	–	–	(125)	–
	2011.03.17	2010.05.28	1,438	–	–	(1,438)	–
	2011.03.17	2010.06.18	1,688	–	–	(1,688)	–
	2011.03.17	2010.06.21	939	–	–	(939)	–
	2011.03.17	2010.06.25	750	–	–	(750)	–
	2011.03.17	2010.06.28	376	–	–	(376)	–
	2011.03.17	2010.07.01	12,500	–	–	(12,500)	–
	2011.03.17	2010.07.02	250	–	–	(250)	–
	2011.03.17	2010.07.06	250	–	–	(250)	–
	2011.03.17	2010.07.12	1,625	–	–	(1,625)	–
	2011.03.17	2010.07.15	375	–	(188)	(187)	–
	2011.03.17	2010.07.16	375	–	–	(375)	–
	2011.03.17	2010.07.19	2,500	–	–	(2,500)	–
	2011.03.17	2010.07.20	3,250	–	(1,250)	(2,000)	–
	2011.03.17	2010.07.26	750	–	(250)	(500)	–
	2011.03.17	2010.07.30	375	–	–	(375)	–
	2011.03.17	2010.08.03	138,000	–	–	(138,000)	–
	2011.03.17	2010.08.11	37,500	–	–	(37,500)	–
	2011.03.17	2010.08.16	375	–	–	(375)	–
	2011.03.17	2010.08.17	18,625	–	–	(18,625)	–
	2011.03.17	2010.08.24	1,125	–	(313)	(812)	–
	2011.03.17	2010.08.30	375	–	–	(375)	–
	2011.03.17	2010.08.31	2,875	–	(1,250)	(1,625)	–
	2011.03.17	2010.09.07	500	–	–	(500)	–
	2011.03.17	2010.09.08	125	–	(63)	(62)	–
	2011.03.17	2010.09.10	375	–	(188)	(187)	–
	2011.03.17	2010.09.13	375	–	–	(375)	–
	2011.03.17	2010.09.14	2,750	–	–	(2,750)	–

Report of Directors

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM March 2011 Scheme (Continued)

			Number of RSU				
Type of remaining grantees	Date of grant	Vesting commence date	Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2014
	2011.03.17	2010.09.16	125	–	–	(125)	–
	2011.03.17	2010.10.11	250	–	–	(250)	–
	2011.03.17	2010.10.13	250	–	–	(250)	–
	2011.03.17	2010.10.21	250	–	(63)	(187)	–
	2011.03.17	2010.11.21	250	–	(188)	(62)	–
	2011.03.17	2010.12.01	12,500	–	–	(12,500)	–
	2011.03.17	2011.01.11	37,500	–	–	(25,000)	12,500
	2011.03.17	2011.02.14	22,500	–	–	(15,000)	7,500
	2011.03.17	2011.02.21	3,750	–	–	(2,500)	1,250
	2011.03.17	2011.03.01	33,750	–	–	(22,500)	11,250
Total:			425,579	–	(6,316)	(386,763)	32,500

Share Option Schemes (Continued)

(B) Share Option Schemes of the Subsidiaries of the Company (Continued)

(2) PNM March 2011 Scheme (Continued)

The particulars and movement of the restricted share ("RS") granted under the PNM March 2011 Scheme during the year are as follows:

			Number of RS				
Type of remaining grantees	Date of grant	Vesting commence date	Balance as at 1 January 2014	Granted during the year	Lapsed during the year	Vested during the year	Balance as at 31 December 2014
Employees	2011.03.17	2010.02.20	7,500	–	–	(7,500)	–
	2011.03.17	2010.02.21	225,000	–	–	(225,000)	–
	2011.03.17	2010.10.25	12,500	–	–	(12,500)	–
	2011.03.17	2010.12.01	375,000	–	–	(375,000)	–
	2011.03.17	2010.12.27	225,000	–	(168,750)	(56,250)	–
Total:			845,000	–	(168,750)	(676,250)	–

Save as disclosed above, no option was granted to the Directors, chief executives or substantial Shareholders, or their respective associates of the Company, or to the suppliers of goods or services under the PNM Share Option Scheme or the PNM March 2011 Scheme during the year.

Report of Directors

Directors

The Directors during the year and up to the date of this report are:

Executive Directors:

LIU Changle	(alternate director to CHUI Keung)
CHUI Keung	(alternate director to LIU Changle)
WANG Ji Yan	(alternate director to LIU Changle and CHUI Keung)

Non-executive Directors:
SHA Yuejia
GAO Nianshu
GONG Jianzhong
SUN Yanjun

Independent Non-executive Directors:
LO Ka Shui
LEUNG Hok Lim
Thaddeus Thomas BECZAK
FANG Fenglei

Alternate Director:

LAU Wai Kei, Ricky	(alternate director to SUN Yanjun)

In accordance with Article 87(1) & (2) of the Company's articles of association, Mr. GAO Nianshu, Mr. GONG Jianzhong and Dr. LO Ka Shui retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Dr. LO Ka Shui has served the Board as an Independent Non-executive Director for more than nine years and has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Notwithstanding the length of his tenure, the Board is satisfied that, as well proven by the valuable independent judgment, advice and objective views given by Dr. LO over the years, he is of such character, integrity and experience commensurate with office of an Independent Non-executive Director. The Board is not aware of any circumstance that might influence Dr. LO's independence.

Confirmation of Independence

The Company has received from each of Dr. LO Ka Shui, Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK and Mr. FANG Fenglei their respective annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules as at the date of this report, the Company considers them to be independent.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

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

CHUI Keung

New appointments
Phoenix Property Investment Holding Limited – director
Phoenix Property Development Limited – director

GAO Nianshu

New appointment
True Corporation Public Company Limited* – director and member of finance committee

SUN Yanjun

New appointment
中國建材股份有限公司 (China National Building Materials Company)# – independent non-executive director and a member of the audit committee and strategic steering committee

LO Ka Shui

New appointment
Langham Hospitality Investments Limited – chairman and non-executive director

* This company is listed on The Stock Exchange of Thailand
\# This company is listed on the main board of the Stock Exchange

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

Directors' Service Contracts

On 17 November 2009, each of Mr. LIU Changle and Mr. CHUI Keung, executive Directors entered into a service contract with the Company for a term of three years commencing from 1 July 2009. On 1 July 2012, the service contracts of both of Mr. LIU Changle and Mr. CHUI Keung expired and were renewed for a term of another three years commencing from 1 July 2012 subject to termination by either party giving to the other not less than three months' written notice. None of the Director who is proposed for re-election at the forthcoming AGM has service contract with the Company.

The terms of office of each of the executive Directors (other than the chairman of the board of Directors), non-executive Directors and independent non-executive Directors are subject to retirement by rotation in accordance with the Company's articles of association and the CG Code.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such Directors or chief executives were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Ordinary shares of the Company

	Number of ordinary shares held				
Name	**Personal/ other interest**	**Corporate interest**	**Total interest**	**Position**	**Approximate shareholding percentage as at 31 December 2014**
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.15%
LO Ka Shui (Note 3)	9,756,000	–	9,756,000	Long	0.20%

Notes:

1. As at 31 December 2014, the number of the issued Shares of the Company was 4,997,695,500.

2. As at 31 December 2014, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.10% of the issued share capital of the Company.

3. As at 31 December 2014, Dr. LO Ka Shui was the beneficial owner of 2,500,000 Shares while 7,256,000 Shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

Directors' and Chief Executives' Interests in Securities (Continued)

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

PNM

Name	Number of class A ordinary of PNM Shares: Personal/ other interest	Corporate interest	Total interest	Position	Approximate shareholding percentage as at 31 December 2014
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.55%
LO Ka Shui	727,800	–	727,800	Long	0.27%

Notes:

1. As at 31 December 2014, the number of the issued Class A ordinary PNM Shares was 269,151,490.
2. PNM is a non-wholly owned subsidiary of the Company.
3. As at 31 December 2014, Mr. LIU Changle was the beneficial owner of 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 0.55% of the issued class A ordinary of PNM Shares.

(3) Share options

Name of Director	Date of grant	Exercise period	Exercise price per Share HK$	Underlying Shares pursuant to the share options as at 31 December 2014
LIU Changle	2011.03.09	2012.03.09 to 2021.03.08	2.92	4,900,000
CHUI Keung	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000
WANG Ji Yan	2011.03.09	2012.03.09 to 2021.03.08	2.92	3,900,000

Save as disclosed above, so far as the Directors are aware, as at 31 December 2014, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

Report of Directors

Directors' Rights to Acquire Shares or Debentures

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000 and 19 June 2009, the relevant committee responsible to administrate the share option schemes may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for Shares. The maximum number of Shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. However, the share option schemes approved by the Shareholders on 7 June 2000 have no remaining life and no further options can be granted under the schemes.

Save as disclosed herein, and other than those in connection with the Group reorganisation scheme prior to the Company's listing of Shares, at no time during the year was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2014, so far as is known to the Directors and the chief executive of the Company, the interest of the Shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

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

Name of substantial Shareholders	Number of Shares	Approximate shareholding percentage as at 31 December 2014
Today's Asia Limited (Note 2)	1,854,000,000	37.10%
Extra Step Investments Limited (Note 3)	983,000,000	19.67%
TPG China Media, L.P. (Note 4)	607,000,000	12.15%

Substantial Shareholders' Interests and Short Positions in the shares and underlying shares of the Company (Continued)

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

Notes:

1. As at 31 December 2014, the number of issued Shares of the Company was 4,997,695,500.

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

3. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited ("CMHKG") which in turn is a subsidiary of China Mobile Communications Corporation ("CMCC"). By virtue of the SFO, CMCC and CMHKG are deemed to be interested in the 983,000,000 Shares held by Extra Step Investments Limited. Mr. SHA Yuejia and Mr. GAO Nianshu, both non-executive Directors, are respectively executive director and vice president of China Mobile Limited and general manager of the Department of Market Operation of CMCC. Dr. LO Ka Shui, an independent non-executive Director, is an independent non-executive director of China Mobile Limited.

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

Report of Directors

Substantial Shareholders' Interests and Short Positions in the shares and underlying shares of the Company (Continued)

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

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage as at 31 December 2014
China Wise International Limited (Note 2)	412,000,000	8.24%

Notes:

1. As at 31 December 2014, the number of issued Shares of the Company was 4,997,695,500.

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

Save as disclosed above, there was no person (other than the Directors or the chief executives of the Company) known to the Directors or the chief executives of the Company, who, as at 31 December 2014, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of programme purchases and sales for the year attributable to the Group's major suppliers and advertising end-customers are as follows:

	Year 2014	Year 2013
Programme purchases		
– the largest supplier	**9%**	10%
– five largest suppliers	**33%**	37%
Sales		
– the largest advertising end-customer	**2%**	2%
– five largest advertising end-customers	**6%**	8%

The largest advertising end-customer during the year ended 31 December 2014 is represented by CMCC and its subsidiaries ("CMCC Group"). Details of the transactions between the Group and the CMCC Group are set out in Note 44 to the consolidated financial statements. CMCC through a wholly-owned subsidiary of CMHKG, owns 19.67% of the issued share capital of the Company.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as disclosed above, none of the Directors, the chief executives, or their close associates, or any Shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers mentioned above.

Report of Directors

Continuing Connected Transactions

Certain related party transactions entered into by the Group during the year ended 31 December 2014, which also constitute continuing connected transactions under the Listing Rules, are disclosed in Note 44 to the consolidated financial statements. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

1. Provision of website portal, value-added telecommunications, promotional and ancillary services by and to the Company's indirectly-owned subsidiary, Phoenix New Media Limited ("PNM"), and together with its subsidiaries (collectively, the "PNM Group") to and by the China Mobile Communications Corporation and its subsidiaries ("CMCC Group") ("New Media CCT").

   On 25 October 2012, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under the then Rule 14A.35(1) to enter into a framework agreement with the CMCC Group at the outset covering all of the expected New Media CCT for the three years from 1 January 2013 to 31 December 2015, subject to the conditions disclosed in the announcement published on 26 October 2012.

   On 5 December 2012, the independent shareholders of the Company ("Independent Shareholders") approved and confirmed the New Media CCT between the PNM Group and the CMCC Group for the three years from 1 January 2013 to 31 December 2015 and the relevant annual caps of RMB552,260,472 (approximately HK$673,757,776), RMB622,489,019 (approximately HK$759,436,603) and RMB729,455,470 (approximately HK$889,935,673) for each of the three years ending 31 December 2013, 2014 and 2015 respectively at the extraordinary general meeting of the Company held on 5 December 2012.

   The aggregate service charges received/receivable by the PNM Group from the CMCC Group, and the aggregate service charges paid/payable by the PNM Group to the CMCC Group for the year ended 31 December 2014 amounted to approximately RMB173,104,000 (HK$218,250,000) and RMB41,428,000 (HK$52,233,000) respectively, whereas, for the year ended 31 December 2013, approximately RMB180,360,000 (HK$227,086,000) and RMB72,647,000 (HK$91,468,000) respectively.

China Mobile (Hong Kong) Group Limited ("CMHKG") a company incorporated in Hong Kong with limited liability and a subsidiary of CMCC, is a substantial shareholder of the Company holding approximately 19.67% of the issued share capital of the Company through its wholly-owned subsidiary Extra Step Investments Limited. Since the CMCC Group are connected persons of the Company, the New Media CCT constituted continuing connected transactions of the Company under the Listing Rules.

Continuing Connected Transactions (Continued)

2. On 30 December 2013, Phoenix Satellite Television Company Limited ("Phoenix HK"), through its PRC advertising agent, 神州電視有限公司 (Shenzhou Television Company Limited) ("Shenzhou") entered into an advertising contract (the "2014 Contract") with CNHK Media Limited ("CNHK Media") relating to the purchase of advertising airtime at and/or sponsoring programmes being broadcasted on the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 1 January 2014 to 31 December 2014 for the sum not exceeding RMB75,000,000 (approximately HK$95,445,000) for promoting the CMCC Group. For the year ended 31 December 2014, the advertising sales to CMCC Group amounted to approximately HK$44,914,000 (2013: HK$65,140,000).

   Since the CMCC Group are connected persons of the Company. The transactions under the 2014 Contract constituted continuing connected transactions for the Company under the Listing Rules.

3. (a) On 18 June 2013, Phoenix Metropolis Media Technology Company Limited (formerly known as Phoenix Metropolis Media (Beijing) Company Limited) ("PMM Beijing") entered into an outdoor advertising contract ("2013 Guangdong Outdoor Advertising Contract") with 深圳市中港文化傳播有限責任公司 ("Shenzhen Media"), relating to placing advertisement for and on behalf of the CMCC Group on outdoor LED panels operated by PMM Beijing and/or its subsidiaries in Guangdong Province for the period from 1 July 2013 to 31 December 2014 for the sum of no more than RMB10,000,000 (approximately HK$12,640,000) for promoting the CMCC Group.

   (b) On 6 December 2013, PMM Beijing entered into another outdoor advertising contract ("2013 PRC Outdoor Advertising Contract") with 中國移動通信有限公司 (China Mobile Communication Company Limited) ("CMC"), an indirect subsidiary of CMHKG, relating to placing advertisement in the PRC on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in PRC for the period from 6 December 2013 to 31 March 2014 for the sum of no more than RMB15,000,000 (approximately HK$19,089,000) for promoting the CMCC Group.

   (c) On 18 August 2014, PMM Beijing entered into an outdoor advertising contract ("2014 PRC Outdoor Advertising Contract") with CMC relating to the placing of advertisement on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 18 August 2014 to 31 March 2015 for the maximum contract sum of RMB15,453,300 (approximately HK$19,316,625) for promoting the CMCC Group.

Report of Directors

Continuing Connected Transactions (Continued)

3. (Continued)

   (d) On 9 October 2014, PMM Beijing entered into another outdoor advertising contract ("CMGD Outdoor Advertising Contract") with 中國移動通信集團終端有限公司 (China Mobile Group Device Co., Ltd.) ("CMGD"), a subsidiary of CMC, relating to the purchase of advertising airtime by CMGD on the outdoor LED panels operated by or licensed to PMM Beijing and/or its subsidiaries in the PRC for the period from 9 October 2014 to 31 March 2015 for a maximum contract sum of no more than RMB2,500,000 (approximately HK$3,156,000) for promoting the customized mobile phone devices business of the CMCC Group.

For the year ended 31 December 2014, the advertising sales to the CMCC Group amounted to approximately HK$11,817,000 (2013: HK$4,589,000).

Since the CMCC Group are connected persons of the Company, the transactions under the 2013 Guangdong Outdoor Advertising Contract, the 2013 PRC Outdoor Advertising Contract, 2014 PRC Outdoor Advertising Contract and CMGD Outdoor Advertising Contract respectively constituted continuing connected transactions of the Company under the Listing Rules.

Continuing Connected Transactions (Continued)

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that:

1. the transactions were entered into by the relevant member of the Group in the ordinary and usual course of its business;

2. the transactions were entered into either on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and

3. the transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter to the Board of Directors containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 80 to 83 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Contractual Arrangements of PNM Group

Foreign investment in the internet and mobile services industries is currently prohibited or restricted in China. The internet business of the Group in China is operated by PNM through contractual arrangements with the legal shareholders of its variable interest entities, among others, Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying"). The Group does not have equity interests in Tianying or its subsidiaries. However, as a result of a series of structured contracts (the "Structured Contracts") entered into on 31 December 2009 by a subsidiary of PNM, Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), the Group has become the primary beneficiary of Tianying and its subsidiaries and account for them as its indirect subsidiaries under Hong Kong Financial Reporting Standards ("HKFRS"). As at the date of this report, Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the authorised business scope of Tianying includes provision of advertising services and paid services, mobile value-add services and games and others. Tianying holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

The Group has consolidated the financial results of Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2014, Tianying and its subsidiaries accounted for 41.5% of the total revenues and 15.6% of the total assets of the Group.

The Group has evaluated the relationship among PNM, Fenghuang On-line and Tianying in accordance with HKFRS. Pursuant to the Voting Right Entrustment agreement, PNM has obtained power, as granted to the legal shareholders by the applicable PRC law and under the articles of association of Tianying, to direct all significant activities of Tianying, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Tianying in the form of technical service fees, which could potentially be significant to Tianying's net income. In addition, PNM has the right to receive all the residual assets of Tianying through exercise of the Exclusive Option agreement. As a result, the Group, through PNM and Fenghuang On-line, is considered the primary beneficiary of Tianying and therefore includes Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Tianying, the Group has the power to direct the activities of Tianying, and can freely have assets transferred out of Tianying's without any restrictions.

Details of the Structured Contracts and the related information were set out in the Company's announcement dated 9 November 2009 (the "Company's Announcement").

There were no material changes to the Structured Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed.

The reasons for using the Structured Contracts were disclosed in the sub-section headed "Reasons for and benefits of the Acquisitions" under the section headed "Reasons For And Benefits Of The Transaction" of the Company's Announcement.

The major risks associated with them include, among others:

1. If the PRC government finds that the agreements that establish the structure for operating its businesses in China do not comply with PRC governmental restrictions on foreign investment in Internet businesses, or if these regulations or the interpretation of existing regulations change in the future, the Group would be subject to severe penalties or be forced to relinquish its interests in those operations.

2. The Group relies on contractual arrangements with Tianying in China, and their legal shareholders, for its business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

3. The legal shareholders of Tianying may have potential conflicts of interest with the Group.

   For details of the above-mentioned risks during the reporting period, please refer to "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Corporate Structure" of the 2013 Annual Report of PNM disclosed in its website (ir.ifeng.com).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE law") that appears to include variable interest entities within the scope of entities that could be considered to be foreign invested enterprises that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. The Group will closely monitor any progress of legislation of the Draft FIE law.

Competing Business

As at the latest practicable date prior to printing of this report, none of the Directors nor their respective associates (as defined under the Listing Rules) had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group and which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Report of Directors

Advances to an Entity

Details of the relevant advance to an entity from the Group are set out in Note 24 to the consolidated financial statements.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 34 to 45 of this report.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has, during the year and up to the date of this report, maintained a public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules.

Audit Committee

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2014 and provided advice and comments thereon.

Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who will retire, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 17 March 2015

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 89 to 221, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report

pwc

羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 April 2015

Consolidated Income Statement

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2014 $'000**	2013 $'000
Revenue	5	**4,618,365**	4,806,458
Operating expenses	7	**(2,918,222)**	(2,849,913)
Selling, general and administrative expenses	7	**(798,362)**	(695,029)
Other gains, net			
Fair value gain on investment properties	16	**175,777**	104,294
Fair value gain on derivative financial instruments	40	**37,801**	–
Other gains, net	6	**4,350**	26,218
Interest income		**84,275**	58,073
Interest expense		**(20,976)**	–
Share of profits less losses of joint ventures	18	**(22,439)**	4,475
Share of profits less losses of associates	19	**1,213**	1,843
Profit before income tax		**1,161,782**	1,456,419
Income tax expense	9	**(251,322)**	(293,391)
Profit for the year		**910,460**	1,163,028
Profit attributable to:			
Owners of the Company		**663,710**	932,394
Non-controlling interests		**246,750**	230,634
		910,460	1,163,028
Earnings per share for profit attributable to the owners of the Company for the year			
Basic earnings per share, Hong Kong cents	10	**13.28**	18.66
Diluted earnings per share, Hong Kong cents	10	**13.27**	18.65
Dividends	11	**199,908**	254,857

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	2014 **$'000**	2013 $'000
Profit for the year	**910,460**	1,163,028
Other comprehensive (losses)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(11,524)**	45,689
Fair value gain on available-for-sale financial asset	**3,332**	–
Total comprehensive income for the year	**902,268**	1,208,717
Attributable to:		
Owners of the Company	**659,458**	956,084
Non-controlling interests	**242,810**	252,633
	902,268	1,208,717

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2014 $'000**	2013 $'000
ASSETS			
Non-current assets			
Purchased programme and film rights, net	13	**16,209**	17,148
Lease premium for land	14	**234,368**	241,081
Property, plant and equipment, net	15	**1,545,739**	1,404,283
Investment properties	16	**1,515,675**	1,173,009
Intangible assets	17	**18,090**	15,051
Investments in joint ventures	18	**42,318**	15,741
Amounts due from joint ventures	18	**9,976**	15,259
Investments in associates	19	**85,723**	23,186
Available-for-sale financial assets	28	**32,770**	962
Derivative financial instrument	40	**56,105**	–
Other long-term assets	24	**56,942**	61,956
Deferred income tax assets	38	**35,661**	31,428
Long-term bank deposit	39	**283,006**	–
		3,932,582	2,999,104
Current assets			
Accounts receivable, net	23	**815,571**	673,874
Prepayments, deposits and other receivables	24	**893,307**	896,680
Inventories	25	**8,117**	8,391
Amounts due from related companies	26	**148,509**	103,283
Self-produced programmes		**12,102**	14,848
Purchased programme and film rights, net	13	**1,141**	5,098
Financial assets at fair value through profit or loss	27	**22,590**	25,689
Prepaid tax		**3,510**	4,820
Bank deposits	29	**294,081**	329,506
Restricted cash	30	**1,603**	13,729
Cash and cash equivalents	31	**3,407,711**	3,333,076
		5,608,242	5,408,994
Total assets		**9,540,824**	8,408,098

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	**499,769**	499,718
Reserves			
– Proposed final dividend	11	**199,908**	254,857
– Others		**4,547,439**	4,192,582
		5,247,116	4,947,157
Non-controlling interests		**1,723,634**	1,591,384
Total equity		**6,970,750**	6,538,541
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	37(a)	**254,643**	69,993
Derivative financial instrument	40	**1,137**	–
Other long-term liabilities		**–**	15,566
Loans from non-controlling shareholders of a subsidiary	37(b)	**266,567**	129,121
Deferred income tax liabilities	38	**148,124**	105,126
		670,471	319,806
Current liabilities			
Accounts payable, other payables and accruals	36	**1,115,640**	809,129
Secured bank borrowings	37(a)	**600,702**	536,607
Deferred income		**112,913**	128,993
Loans from non-controlling shareholders of a subsidiary	37(b)	**9,454**	9,506
Current income tax liabilities		**60,894**	65,516
		1,899,603	1,549,751
Total liabilities		**2,570,074**	1,869,557
Total equity and liabilities		**9,540,824**	8,408,098
Net current assets		**3,708,639**	3,859,243
Total assets less current liabilities		**7,641,221**	6,858,347

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 89 to 221 were approved by the Board of Directors on 17 March 2015 and signed on behalf of the Board by

LIU Changle
Director

CHUI Keung
Director

Balance Sheet

As at 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2014 $'000**	2013 $'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**115,734**	107,258
Current assets			
Cash and cash equivalents	31	**2,442**	1,722
Amounts due from subsidiaries, net	20	**923,769**	1,002,512
		926,211	1,004,234
Total assets		**1,041,945**	1,111,492
EQUITY			
Equity attributable to owner of the Company			
Share capital	33	**499,769**	499,718
Reserves	35		
– Proposed final dividend	11	**199,908**	254,857
– Others		**161,953**	356,574
Total equity		**861,630**	1,111,149
LIABILITIES			
Current liabilities			
Other payables and accruals	36(b)	**585**	343
Amounts due to subsidiary	20	**179,730**	–
Total liabilities		**180,315**	343
Total equity and liabilities		**1,041,945**	1,111,492
Net current assets		**745,896**	1,003,891
Total assets less current liabilities		**861,630**	1,111,149

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

The financial statements on pages 89 to 221 were approved by the Board of Directors on 17 March 2015 and signed on behalf of the Board by

LIU Changle
Director

CHUI Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company									
	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		499,718	36,829	80,177	1,667,523	116,272	–	173,432	2,373,206	1,591,384	6,538,541
Profit for the year		–	–	–	–	–	–	–	663,710	246,750	910,460
Other comprehensive (losses)/income											
Currency translation differences		–	–	–	–	(6,076)	–	–	–	(5,448)	(11,524)
Fair value gain on available-for-sale financial asset		–	–	–	–	–	1,824	–	–	1,508	3,332
Total comprehensive income for the year		–	–	–	–	(6,076)	1,824	–	663,710	242,810	902,268
Total contributions by and distributions to owners of the Company recognised directly in equity											
Share option scheme											
– value of employee services		–	–	–	–	–	–	8,475	–	66,896	75,371
– recognition of shares issued on exercise of options		51	858	–	–	–	–	(195)	–	–	714
– lapse of share options		–	1,286	–	–	–	–	(1,286)	–	–	–
Dividends related to 2013	11	–	–	–	–	–	–	–	(254,867)	–	(254,867)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(16,068)	(16,068)
Allocation to statutory reserve		–	–	29,914	–	–	–	–	(29,914)	–	–
Total contributions by and distributions to owners of the Company		51	2,144	29,914	–	–	–	6,994	(284,781)	50,828	(194,850)
Disposal of subsidiaries	41(b)	–	–	–	–	–	–	–	–	(3,653)	(3,653)
Deemed acquisition of partial interest in a subsidiary arising from exercise and vesting of share-based awards, repurchase of shares and issuance of shares of a subsidiary	42(a)	–	–	–	(101,718)	–	–	(12,103)	–	(157,735)	(271,556)
Total transactions with owners		51	2,144	29,914	(101,718)	–	–	(5,109)	(284,781)	(110,560)	(470,059)
Balance at 31 December 2014		499,769	38,973	110,091	1,565,805	110,196	1,824	168,323	2,752,135	1,723,634	6,970,750

Note: The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

		Attributable to owners of the Company									
	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000 (Note)	Capital reserve $'000	Exchange reserve $'000	Revaluation reserve $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013		499,358	30,449	45,934	1,695,555	92,582	–	141,416	1,729,848	1,390,074	5,625,216
Profit for the year		–	–	–	–	–	–	–	932,394	230,634	1,163,028
Other comprehensive income											
Currency translation differences		–	–	–	–	23,690	–	–	–	21,999	45,689
Changes in value of available-for-sale financial assets		–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	23,690	–	–	932,394	252,633	1,208,717
Total contributions by and distributions to owners of the Company recognised directly in equity											
Share option scheme											
– value of employee services		–	–	–	–	–	–	44,353	–	–	44,353
– recognition of shares issued on exercise of options		360	5,762	–	–	–	–	(1,337)	–	–	4,785
– lapse of share options		–	618	–	–	–	–	(618)	–	–	–
Dividends related to 2012		–	–	–	–	–	–	–	(254,793)	–	(254,793)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(10,470)	(10,470)
Allocation to statutory reserve		–	–	34,243	–	–	–	–	(34,243)	–	–
Total contributions by and distributions to owners of the Company		360	6,380	34,243	–	–	–	42,398	(289,036)	(10,470)	(216,125)
Deemed disposal of interest in a subsidiary arising from capital contribution from non- controlling shareholders	42(b)	–	–	–	3,109	–	–	–	–	9,617	12,726
Deemed acquisition of partial interest in a subsidiary arising from exercise and vesting of share-based awards and repurchase of shares of a subsidiary	42(a)	–	–	–	(31,141)	–	–	(10,382)	–	(50,470)	(91,993)
Total transactions with owners		360	6,380	34,243	(28,032)	–	–	32,016	(289,036)	(51,323)	(295,392)
Balance at 31 December 2013		499,718	36,829	80,177	1,667,523	116,272	–	173,432	2,373,206	1,591,384	6,538,541

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash generated from operations	41(a)	**1,314,194**	1,453,169
Interest received		**84,275**	58,073
Interest paid		**(20,976)**	–
Hong Kong taxation paid		**(130,366)**	(206,493)
Overseas taxation paid		**(84,655)**	(58,432)
Net cash generated from operating activities		**1,162,472**	1,246,317
Cash flows from investing activities			
Withdrawal of restricted cash		**12,726**	–
Placement of restricted cash		**(600)**	(12,738)
Placement of long-term bank deposit	39	**(283,006)**	–
Decrease in bank deposits	29	**35,425**	73,777
Purchase of intangible assets	17	**(4,520)**	–
Purchase of property, plant and equipment	15	**(356,278)**	(250,282)
Purchase of programme and film rights	13	**(16,803)**	(21,138)
Net cash outflow from disposal of subsidiaries	41(b)	**(17,887)**	–
Capital contribution to a joint venture	18	**(3,164)**	(768)
Capital contribution to an associate	19	**(39,455)**	(15,564)
Advance to joint ventures	18	**(23,797)**	(25,522)
Proceeds from disposal of property, plant and equipment		**1,331**	9,655
Additions to investment properties	16	**(172,521)**	(147,384)
Additions to lease premium for land	14	**–**	(8,921)
Investment income from financial assets at fair value through profit or loss		**4,225**	1,137
Purchase of available-for-sale financial asset	28	**(29,438)**	–
Purchase of derivative financial instrument	40	**(17,167)**	–
Net cash used in investing activities		**(910,929)**	(397,748)

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Unless otherwise specified, amounts expressed in Hong Kong dollars)

	Note	**2014** **$'000**	2013 $'000
Cash flows from financing activities			
Proceeds from exercise of share options of the Company	33, 35	**714**	4,785
Dividends paid to owners of the Company	11	**(254,867)**	(254,793)
Proceeds from exercise of share options of a subsidiary		**11,658**	657
Drawdown of secured bank borrowings	37	**254,643**	74,899
Repayment of secured bank borrowings	37	**(2,564)**	(76,063)
Loans from non-controlling shareholders of a subsidiary	37	**137,394**	100,372
Capital contribution from non-controlling shareholders of a subsidiary		**200**	12,726
Dividends paid to non-controlling interests		**(16,068)**	(10,470)
Payment for repurchase of shares of a subsidiary	42(a)	**(305,049)**	(90,955)
Payment of cancellation fees of shares of a subsidiary		**–**	(988)
Net cash used in financing activities		**(173,939)**	(239,830)
Net increase in cash and cash equivalents		**77,604**	608,739
Cash and cash equivalents at beginning of year		**3,333,076**	2,710,468
Net exchange (losses)/gains on cash and cash equivalents		**(2,969)**	13,869
Cash and cash equivalents at end of year	31	**3,407,711**	3,333,076

The notes on pages 98 to 221 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (together, the "Group") engage principally in satellite television broadcasting and provision of new media services.

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

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

The financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issue by the Board of Directors of the Company (the "Board" or the "Directors") on 17 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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 of the Company 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 properties, derivative financial instruments, available-for-sale financial assets and financial assets at fair value through profit or loss.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures

HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group.

(i) Effect of adopting new standards and amendments to standards

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2014.

HKFRS 10, 12 and HKAS 27 (2011) Amendments	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies

The adoption of the above new standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, amendments to standards and interpretations not yet adopted by the Group

The following new standards, amendments to standards and interpretations that have been issued but are not effective for the financial year ended 31 December 2014 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments [4]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendment	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an investor and its Associate or Joint Venture [2]
HKFRS 11 Amendment	Accounting for Acquisition of Interests in Joint Operations [2]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]
HKAS 1 Amendment	Disclosure Initiative[2]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation [2]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[2]
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions [1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements [2]
Annual Improvements 2012	Annual Improvements 2010-2012 Cycle [1]
Annual Improvements 2013	Annual Improvements 2011-2013 Cycle [1]
Annual Improvements 2014	Annual Improvements 2012-2014 Cycle [2]

(1) Effective for the Group for annual period beginning on 1 January 2015
(2) Effective for the Group for annual period beginning on 1 January 2016
(3) Effective for the Group for annual period beginning on 1 January 2017
(4) Effective for the Group for annual period beginning on 1 January 2018

The Group will apply the above new standards and amendments to standards from 1 January 2015 or later periods. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

(iii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(f) 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)

(g) 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 gains, net".

Changes in the fair value of debt 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 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 other comprehensive income.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation (Continued)

(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 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.

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. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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	2.05 – 3.33%
Leasehold improvements	shorter of 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 panels	10% – 11.1%
Aircraft	7.1%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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(m)).

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

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are 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 is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties 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. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other gains, net".

(j) 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, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree 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 subsequently 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (Continued)

(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.

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.

(k) Purchased programme and film rights

Purchased programme and film rights are recorded at cost less accumulated amortisation and any impairment losses. Cost of film rights is expensed in the consolidated income statement on the first and second showing and cost of purchased programme is expensed in the consolidated income statement by amortising the cost over the license period on a straight line basis.

Purchased programme with licence period of 12 months or less and film rights with economic lives of 12 months or less are classified as current assets.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture 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)

(n) 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 (Note 2(p)). 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 the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise bank deposits, accounts receivable, other receivables, amounts due from related companies, amounts due from joint ventures, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2(r) and 2(s)).

(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 the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period. Available-for-sale financial assets represent unlisted securities of private issuers outside Hong Kong.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (Continued)

(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 and financial assets at fair value through profit or loss are subsequently carried at fair value. As an exception to this, available-for-sale investment that does not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured is recognised in the consolidated balance sheet at cost less impairment losses (see Note 2(o)(ii)). Loans and receivables are subsequently 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 gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of debt securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in "Revaluation reserve" within equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 carrying amount of the asset 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(p) Derivative financial instruments

The Group's derivative financial instruments represent an interest rate swap contract and the embedded derivative in certain convertible redeemable preferred shares held by the Group (Note 40). Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are initially recognised in the consolidated statement of financial position at their fair value.

If the fair value of the derivatives at initial recognition differs from the transaction price and the fair value is not evidenced by a quoted price in an active market for an identical asset or based on valuation technique that uses only data from observable markets, such difference between fair value at initial recognition and the transaction price is deferred. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the derivatives.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Derivative financial instruments (Continued)

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the consolidated income statement.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(q) 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.

(r) Accounts and other receivables

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection 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.

(s) 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.

(t) Deferred income

Deferred income represents advertising revenue, subscription revenue, magazine revenue and magazine subscription or circulation revenue received in advance from third party customers.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share capital

Ordinary shares are classified as equity.

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.

(v) Accounts payable, other payables and accruals

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

(w) 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.

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.

(x) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, associates and joint ventures 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Current and deferred income tax (Continued)

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 only 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 liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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. The Group has no further payment obligations once the contributions have been paid.

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits (Continued)

(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
- including the impact of any non-vesting conditions.

Non-market conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service 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 non-controlling interests for share options of the Company's subsidiaries.

The grant of options by the Company 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 in the Company's financial statements.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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.

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated for the sale 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; when it is probable that future economic benefits will flow to the Group; and when 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 deductions 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 are performed or recognised evenly in the subscription period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue recognition (Continued)

(iii) Subscription revenue

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

(iv) Magazine advertising revenue

Magazine advertising revenue net of agency deductions 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 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.

(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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue recognition (Continued)

(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.

(x) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(ab) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessee

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 lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's 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, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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 ("CFO") 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.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

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.

If the functional currency of the group entities had weakened/strengthened by 5% (2013: 5%) against the foreign currency of the net monetary assets of corresponding group entities, with all other variables held constant, after-tax profit for the year would have been HK$79,876,000 (2013: HK$39,940,000) higher or lower.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(b) Price risk

The Group is exposed to 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. The Group has investment in the equity of a publicly traded entity. For the further details of price risk exposed by 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, and outdoor advertising 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.

(d) Cash flow and fair value interest rate risks

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 and bank borrowings. Bank deposits placed and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk whereas bank deposits 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 and use interest rate swap contract to manage certain cash flow interest rate risks (Note 40).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(d) Cash flow and fair value interest rate risks (Continued)

At 31 December 2014, with all other variables held constant, if the interest rates interest-bearing assets had increased/decreased by 1%, after-tax profit for the year would have been HK$19,028,000 (2013: HK$28,143,000) higher or lower.

At 31 December 2014, with all other variables held constant, if the interest rates interest-bearing liabilities had increased/decreased by 1%, after-tax profit for the year would have been HK$8,553,000 (2013: no impact on after-tax profit due to borrowing costs on bank borrowings being capitalised under investment properties under construction and construction in progress) lower or higher.

(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$620,303,000 (2013: HK$591,578,000) representing approximately 7% (2013: 7%) of the total assets of the Group as of 31 December 2014. 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 the 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 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 180 days.

See Note 22 for further disclosure on credit risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(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 31 and 32 respectively.

The table below analyses the Group's non-derivative 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 2014			
Accounts payable, other payables and accruals	**1,105,722**	**–**	**–**
Secured bank borrowings	**622,624**	**255,721**	**–**
Loans from non-controlling shareholders of a subsidiary	**9,454**	**–**	**266,567**
At 31 December 2013			
Accounts payable, other payables and accruals	796,390	–	–
Secured bank borrowings	555,030	77,252	–
Loans from non-controlling shareholders of a subsidiary	9,506	–	129,121
Company			
At 31 December 2014			
Other payables and accruals	**585**	**–**	**–**
Amount due to a subsidiary	**179,730**	**–**	**–**
At 31 December 2013			
Other payables and accruals	343	–	–
Amount due to a subsidiary	–	–	–

(b) Capital 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted pries included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Finance Department reviews the valuations of the Group's financial instruments. The Finance Department holds discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting dates.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2014. See Note 16 for disclosures of the investment properties that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– trading equity securities	**22,590**	**–**	**–**	**22,590**
Available-for-sale financial assets				
– Convertible redeemable preferred shares				
– debt component	**–**	**–**	**32,770**	**32,770**
Derivative financial instrument				
– Convertible redeemable preferred shares				
– derivative component	**–**	**–**	**56,105**	**56,105**
	22,590	**–**	**88,875**	**111,465**
Liabilities				
Derivative financial instrument				
– Interest rate swap contract	**–**	**(1,137)**	**–**	**(1,137)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2013.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
– trading equity securities	25,689	–	–	25,689

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2014, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$22,590,000 (2013: HK$25,689,000) (Note 27).

(ii) Financial instrument in level 2

The fair value of interest rate swap contract is determined by valuation techniques that use observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2014 ('000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares	97,587	Discounted cash flow method	Discount rate	28%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	35%	The lower the DLOM, the higher the fair value
			Volatility	57.7%	The lower the volatility, the higher the fair value
Convertible redeemable preferred shares – debt component	32,770	Discounted cash flow method with discounting the principal repayment at a risky discount rate	Discount rate – debt component	27%	The lower the discount rate – debt, component, the higher the fair value
Convertible redeemable preferred shares – derivative component	64,817	Difference between fair value of convertible redeemable preferred shares and fair value of its debt component	N/A	N/A	N/A

The Series B convertible redeemable preferred shares represent a new investment in Particle Inc. by the Group during the year ended 31 December 2014 (the "Preferred Shares") (see Note 28(a) for details of this investment).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(1) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The equity value of Particle Inc. as at 31 December 2014 was determined using discounted cash flow method. The fair value of the Preferred Shares as a whole was determined by means of equity allocation method, which allocates the equity value of among its common shares and preferred shares using option-pricing method. The fair value of the debt component of the Preferred Shares was determined using discounted cash flow method and the fair value of the derivative component was calculated as the difference between the fair value of the Preferred Shares as a whole and the fair value of the debt component of the Preferred Shares.

The following table presents the changes in the Preferred Shares during the year ended 31 December 2014. The carrying value of derivative component recognised in the consolidated balance sheet is net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain is amortised over the term of the Preferred Shares of 4 years.

	Debt component	Derivative component			Total
		Gross	Deferred day one gain	Net	
	$'000 *(Note 28)*	$'000	$'000	$'000 *(Note 40)*	$'000
Opening balance	–	–	–	–	–
Purchase of Preferred Shares	29,438	26,317	(9,150)	17,167	46,605
Gains and losses recognised in other comprehensive income	3,332	–	–	–	3,332
Gains and losses recognised in profit or loss	–	38,500	–	38,500	38,500
Amortisation of deferred day one gain in profit or loss	–	–	438	438	438
Closing balance	32,770	64,817	(8,712)	56,105	88,875
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	–	38,500	438	–	38,938
Changes in unrealised gains or losses for the year included in other comprehensive income at the end of the year	3,332	–	–	–	3,332

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

(2) Quantitative sensitivity analysis

A quantitative sensitivity analysis is shown below:

Year ended 31 December 2014	Discount rate	DLOM	Volatility	Discount rate – Debt component
	3% increase or decrease $'000	3% increase or decrease $'000	5% increase or decrease $'000	3% increase or decrease $'000
Convertible redeemable preferred shares	(15,466)/20,230	(4,504)/4,552	(7,520)/7,475	N/A
Convertible redeemable preferred shares – debt component	N/A	N/A	N/A	(2,818)/3,090
Convertible redeemable preferred shares – derivative component	N/A	N/A	N/A	(2,796)/3,112

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2014	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet: Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	**627,324**	**–**	**627,324**	**(31,897)**	**595,427**
– Not subject to master netting arrangement	**188,247**	**–**	**188,247**	**–**	**188,247**
	815,571	**–**	**815,571**	**(31,897)**	**783,674**
Amounts due from related parties					
– Subject to master netting arrangement (Note ii)	**31,505**	**(1,802)**	**29,703**	**–**	**29,703**
– Not subject to master netting arrangement	**118,806**	**–**	**118,806**	**–**	**118,806**
	150,311	**(1,802)**	**148,509**	**–**	**148,509**

As at 31 December 2013	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Related amounts not set off in the balance sheet: Cash collateral received $'000	Net amount $'000
Accounts receivable, net					
– Subject to master netting arrangement (Note i)	451,094	–	451,094	(18,890)	432,204
– Not subject to master netting arrangement	222,780	–	222,780	–	222,780
	673,874	–	673,874	(18,890)	654,984
Amounts due from related parties					
– Not subject to master netting arrangement	103,283	–	103,283	–	103,283

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Offsetting financial assets and financial liabilities (Continued)

Notes:

(i) Internet advertising customers have provided cash collateral to the Group of HK$31,897,000 (2013: HK$18,890,000) as protection for payment and contractual obligations under the terms of advertising sale agreements. The Group has the right to invoke the collateral if a customer has failed to settle outstanding payments or full contractual obligations.

(ii) For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(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 judgement is exercised in the assessment of the collectibility of accounts receivable, other receivables, amounts due from joint ventures and the receivable from an advertising agent, Shenzhou. In making such judgement, management considers a wide range of factors, including debtors' and Shenzhou's payment trends, subsequent payments and debtors' 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 judgement 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 at the time of purchases or completion of the related construction. 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 and the Group's strategies. The Group's management performs annual review to assess the appropriateness of the estimated useful lives. Should there be unexpected adverse change in the circumstances or events, the Group 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 16.

(v) Revenue recognition

Revenue is recognised when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured.

Part of the Group's advertising revenue arrangements involve multiple element deliverables, including placements of different advertisement formats on the Group's website over different periods of time. The Group breaks down the multiple element arrangements into single units of accounting when possible, and allocates total consideration to each single unit of accounting using the relative selling price method.

The Group recognises revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognised on a straight line basis over the contract period.

(vi) Recognition of share-based compensation expense

The Group's employees have participated in various share-based incentive schemes of the Company and its subsidiaries. Management of the Group has used the Black-Scholes model to determine the total fair value of the options granted. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes model, including estimates and assumptions regarding the risk-free interest rate, expected dividend yield and volatility of the underlying shares and the expected life of the share options. The fair values of restricted share units and restricted shares granted are measured on the grant date based on the fair value of the underlying shares of the subsidiaries. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable. if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognises an expense for those options, restricted share units and restricted shares expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the options, restricted share units and restricted shares and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expense.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(vi) Recognition of share-based compensation expense (Continued)

The fair value of options, restricted share units and restricted shares at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards granted by the Company and its subsidiaries to the Group's employees, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the year ended 31 December 2014 was HK$75,371,000 (2013: HK$44,353,000) (Note 8).

(vii) Fair value of available-for-sale financial assets and derivative financial instruments

The fair values of available-for-sale financial assets and derivative financial instruments that are not traded in an active market are 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. For details, refer to Note 3 (c)(iii).

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

(i) Control over Phoenix Metropolis Media Technology Company Limited ("PMM Beijing")

Management considers that the Group has de facto control of PMM Beijing even though it has less than 50% of the voting rights. Management has exercised its critical judgement when determining whether the Group has de facto control over PMM Beijing by considering the following, amongst others: (i) the Group has obtained effective control over majority of the board of PMM Beijing; and (ii) the Group has the ability to direct the relevant activities of PMM Beijing, i.e. the activities that significantly affect PMM Beijing; and (iii) PMM Beijing and other shareholders highly rely on the Group's industry expertise, brand, network, and reputation.

5. REVENUE AND SEGMENT INFORMATION

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

	2014 **$'000**	2013 $'000
Advertising sales		
Television broadcasting	**1,893,186**	2,279,480
Internet	**1,421,272**	1,034,186
Outdoor media	**553,604**	612,823
Mobile, video and wireless value added services income	**568,408**	716,914
Subscription sales	**100,215**	88,114
Magazine advertising and subscription or circulation	**51,771**	57,044
Rental income	**3,472**	946
Others	**26,437**	16,951
	4,618,365	4,806,458

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

The Group has five main operating segments including:

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2014								
	Television broadcasting								
	Primary channels $'000	Others $'000	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	1,821,051	176,925	1,997,976	1,989,680	553,604	3,713	73,392	–	4,618,365
Inter-segment sales (Note c)	–	50,484	50,484	–	–	3,464	77	(54,025)	–
Total revenue	1,821,051	227,409	2,048,460	1,989,680	553,604	7,177	73,469	(54,025)	4,618,365
Segment results	904,187	(20,529)	883,658	453,100	42,410	164,561	(52,031)	–	1,491,698
Unallocated income (Note a)									27,219
Unallocated expenses (Note b)									(335,909)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									1,183,008
Share of profits less losses of joint ventures									(22,439)
Share of profits less losses of associates									1,213
Income tax expense									(251,322)
Profit for the year									910,460
Non-controlling interests									(246,750)
Profit attributable to owners of the Company									663,710
Depreciation	(43,641)	(18,487)	(62,128)	(45,822)	(33,823)	(7,711)	(9,655)	–	(159,139)
Unallocated depreciation									(46,577)
									(205,716)
Impairment of property, plant and equipment	–	–	–	–	(145)	–	–	–	(145)
Provision for impairment of accounts receivable	(1,635)	(19)	(1,654)	(16,099)	(796)	–	–	–	(18,549)
Provision for impairment of amounts due from joint ventures	–	–	–	–	–	–	(29,027)	–	(29,027)
Provision for impairment of amount from an associate	–	–	–	–	–	–	(4,838)	–	(4,838)
Provision for impairment of available-for-sale financial asset	–	–	–	–	–	–	(962)	–	(962)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2013								
	Television broadcasting								
	Primary channels $'000	Others $'000 (Note 45)	Sub-total $'000	New media $'000	Outdoor media $'000	Real estate $'000	Other activities $'000 (Note 45)	Inter-segment elimination $'000	Group $'000
Revenue									
External sales	2,207,217	167,647	2,374,864	1,751,100	612,823	1,157	66,514	–	4,806,458
Inter-segment sales (Note c)	–	52,987	52,987	–	–	3,270	78	(56,335)	–
Total revenue	2,207,217	220,634	2,427,851	1,751,100	612,823	4,427	66,592	(56,335)	4,806,458
Segment results	1,217,535	(43,986)	1,173,549	392,946	98,689	89,977	(34,023)	–	1,721,138
Unallocated income (Note a)									31,753
Unallocated expenses (Note b)									(302,790)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									1,450,101
Share of profits of joint ventures									4,475
Share of profits less losses of associates									1,843
Income tax expense									(293,391)
Profit for the year									1,163,028
Non-controlling interests									(230,634)
Profit attributable to owners of the Company									932,394
Depreciation	(78,314)	(16,124)	(94,438)	(39,623)	(29,020)	(4)	(7,504)	–	(170,589)
Unallocated depreciation									(29,323)
									(199,912)
Impairment of property, plant and equipment	–	–	–	–	(3,664)	–	–	–	(3,664)
Provision for impairment of accounts receivable	–	(3,142)	(3,142)	(3,141)	(9,554)	–	–	–	(15,837)
Provision for impairment of amounts due from joint ventures	–	–	–	–	–	–	(25,413)	–	(25,413)
Provision for impairment of amount from an associate	–	–	–	–	–	–	(4,913)	–	(4,913)
Provision for impairment of other receivables	–	(11,272)	(11,272)	–	–	–	–	–	(11,272)

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Notes:

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

(b) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses;
- marketing and advertising expenses relate to the Group as a whole;
- exchange loss; and
- fair value loss on financial assets (realised and unrealised).

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

Revenue from external customers by country, based on the destination of the customer:

	2014 $'000	2013 $'000
The PRC	**4,455,049**	4,659,797
Hong Kong	**50,624**	45,281
Other countries	**112,692**	101,380
	4,618,365	4,806,458

Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2014 $'000	2013 $'000
The PRC	**2,529,090**	2,359,148
Hong Kong	**889,968**	529,636
Other countries	**96,006**	62,671
	3,515,064	2,951,455

6. OTHER GAINS, NET

	2014 $'000	2013 $'000
Exchange (loss)/gain, net	**(14,325)**	43,088
Investment income	**4,225**	1,137
Fair value (loss)/gain on financial assets at fair value through profit or loss (realised and unrealised) (Note 27)	**(3,099)**	870
Gain on disposal of subsidiaries (Note 41(b))	**35,850**	–
Provision for impairment of amounts due from joint ventures (Note 18(b), 26(b))	**(29,027)**	(25,413)
Provision for impairment of amount due from an associate (Note 26 (c))	**(4,838)**	(4,913)
Provision for impairment of available-for-sale financial asset (Note 28)	**(962)**	–
Others, net	**16,526**	11,449
	4,350	26,218

7. PROFIT BEFORE INCOME TAX

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

	2014 **$'000**	2013 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**(4,534)**	–
Gain on disposal of property, plant and equipment	**(71)**	(742)
Charging		
Production costs of self-produced programmes	**188,176**	200,942
Commission expenses	**397,730**	455,365
Bandwidth costs	**104,960**	96,430
Provision for impairment of accounts receivable	**18,549**	15,837
Provision for impairment of other receivables	**–**	11,272
Employee benefit expenses (including Directors' emoluments) (Note 8)	**1,263,057**	1,136,789
Operating lease rental in respect of		
– Directors' quarters	**2,015**	2,524
– Land and buildings of third parties	**75,028**	75,483
– LED panels	**195,679**	166,400
Loss on disposal of property, plant and equipment	**768**	1,698
Depreciation of property, plant and equipment	**205,716**	199,912
Amortisation of purchased programme and film rights	**20,920**	25,664
Amortisation of lease premium for land	**4,112**	2,744
Amortisation of intangible assets	**1,479**	797
Impairment of property, plant and equipment	**145**	3,664
Auditor's remuneration	**12,110**	13,195
Services charges paid to related parties	**–**	13,354
Outgoings for investment properties	**168**	306

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 $'000	2013 $'000
Wages, salaries and other allowances	**1,163,570**	1,068,568
Unutilised annual leave	**692**	1,410
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	**23,424**	22,458
Share-based compensation expense (Note 34)	**75,371**	44,353
	1,263,057	1,136,789

(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.

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 2014, the aggregate amount of the employer's contributions was approximately HK$20,260,000 (2013: HK$18,699,000) and the total amount of forfeited contributions was approximately HK$1,532,000 (2013: HK$926,000).

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$25,000 from 1 January 2014 to 31 May 2014 and HK$30,000 from 1 June 2014 to 31 December 2014 for each employee. For those employees with monthly relevant income less than HK$7,100, since 1 November 2013, the employees' contributions are voluntary.

For the year ended 31 December 2014, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$3,302,000 (2013: HK$2,707,000) and the forfeited contributions was HK$36,000 (2013: HK$11,000).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

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 2014 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 (Chief Executive Officer)	–	7,074	1,982	1,824	653	11,533
2.	CHUI Keung	–	2,893	1,177	1,430	267	5,767
3.	WANG Ji Yan	–	2,525	–	1,248	233	4,006
4.	SHA Yuejia	–	–	–	–	–	–
5.	LO Ka Shui	250	–	–	–	–	250
6.	GAO Nianshu	–	–	–	–	–	–
7.	GONG Jianzhong	–	–	–	–	–	–
8.	LEUNG Hok Lim	250	–	–	–	–	250
9.	Thaddeus Thomas BECZAK	250	–	–	–	–	250
10.	FANG Fenglei	250	–	–	–	–	250
11.	SUN Yanjun	–	–	–	–	–	–
12.	LAU Wai Kei, Ricky	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2013 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 (Chief Executive Officer)	–	6,796	2,334	1,821	627	11,578
2.	CHUI Keung	–	2,781	1,346	1,372	256	5,755
3.	WANG Ji Yan		2,426	1,077	1,198	224	4,925
4.	SHA Yuejia	–	–	–	–	–	–
5.	Ella Betsy WONG (resigned on 5 November 2013)	–	–	–	–	–	–
6.	LO Ka Shui	250	–	–	–	–	250
7.	GAO Nianshu	–	–	–	–	–	–
8.	GONG Jianzhong	–	–	–	–	–	–
9.	Jan KOEPPEN (resigned on 5 November 2013)	–	–	–	–	–	–
10.	LEUNG Hok Lim	250	–	–	–	–	250
11.	Thaddeus Thomas BECZAK	250	–	–	–	–	250
12.	CHEUNG Chun On, Daniel (resigned on 30 June 2013)	–	–	–	–	–	–
13.	GAO Jack Qunyao (resigned on 30 June 2013)	–	–	–	–	–	–
14.	FANG Fenglei (appointed on 13 March 2013)	201	–	–	–	–	201
15.	SUN Yanjun (appointed on 5 November 2013)	–	–	–	–	–	–
16.	LAU Wai Kei, Ricky (appointed on 5 November 2013)	–	–	–	–	–	–

As of 31 December 2014, Mr. LIU Changle had outstanding share options to purchase 4,900,000 (2013: 4,900,000) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options to purchase 3,900,000 (2013: 3,900,000) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options to purchase 3,900,000 (2013: 3,900,000) shares at HK$2.92 per share. No options were exercised during 2014. The fair values of these options have not been included in the directors' emoluments disclosed above.

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(c) Five highest paid individuals and senior managements' emoluments

The five highest paid individuals in the Group for the year ended 31 December 2014 included two Directors (2013: three) and two members of senior management (2013: two). The aggregate emoluments paid/payable to the five highest paid individuals during the year are as follows:

	2014 **$'000**	2013 $'000
Salaries	**18,851**	16,531
Discretionary bonus	**10,991**	7,584
Housing allowance	**4,523**	6,629
Pension costs	**1,174**	1,525
	35,539	32,269

The emoluments of the five highest paid individuals and one remaining member of senior management (2013: five highest paid individuals) fall within the following bands:

	Number of individuals	
Emolument band	**2014**	2013
HK$4,500,001 – HK$5,000,000	**2**	2
HK$5,000,001 – HK$5,500,000	**1**	1
HK$5,500,001 – HK$6,000,000	**1**	1
HK$8,000,001 – HK$8,500,000	**1**	–
HK$11,500,001 – HK$12,000,000	**1**	1
	6	5

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 except as disclosed above (2013: Nil).

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on PRC and 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.

	2014	2013
	$'000	$'000
Current income tax		
– Hong Kong profits tax	**140,052**	174,127
– PRC and overseas taxation	**70,114**	88,803
– Under provision of tax in the prior year	**936**	2,490
Deferred income tax (Note 38)	**40,220**	27,971
	251,322	293,391

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 (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.

In the PRC, certain subsidiaries enjoy preferential tax rate of 15% (2013: 15%) respectively for being new technology enterprises and a subsidiary enjoys income tax exemption for being a software enterprise.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

9. INCOME TAX EXPENSE (CONTINUED)

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

	2014 $'000	2013 $'000
Profit before income tax	**1,161,782**	1,456,419
Calculated at a taxation rate of 16.5% (2013: 16.5%)	**191,694**	240,309
Income not subject to taxation	**(35,871)**	(28,042)
Expenses not deductible for taxation purposes	**59,356**	56,909
Tax losses not recognised	**24,683**	25,953
Effect of different tax rate in other countries	**61,091**	44,630
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(50,966)**	(48,158)
Recognition of temporary differences not previously recognised	**400**	(252)
Utilisation of previously unrecognised tax losses	**(1)**	(448)
Under provision of tax in the prior year	**936**	2,490
Income tax expense	**251,322**	293,391

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.

	2014	2013
Profit attributable to owners of the Company ($'000)	**663,710**	932,394
Weighted average number of ordinary shares in issue ('000)	**4,997,405**	4,995,796
Basic earnings per share (Hong Kong cents)	**13.28**	18.66

10. EARNINGS PER SHARE (CONTINUED)

(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, ordinary shares issuable upon the restricted share units and restricted shares of a subsidiary.

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

	2014	2013
Profit attributable to owners of the Company ($'000)	**663,710**	932,394
Weighted average number of ordinary shares in issue ('000)	**4,997,405**	4,995,796
Adjustment for share options of the Company ('000)	**3,334**	4,397
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,000,739**	5,000,193
Diluted earnings per share (Hong Kong cents)	**13.27**	18.65

11. DIVIDENDS

	2014 $'000	2013 $'000
Proposed final dividend of 4 Hong Kong cents (2013: 5.1 Hong Kong cents) per share	**199,908**	254,857

The 2013 final dividends paid during the year ended 31 December 2014 were approximately HK$254,867,000 (5.1 Hong Kong cents per share). The Board recommends the payment of a final dividends of 4 Hong Kong cents per share, totalling approximately HK$199,908,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 5 June 2015. These consolidated financial statements do not reflect this dividend payable.

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 approximately HK$3,841,000 (2013: HK$3,529,000).

13. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	2014 $'000	2013 $'000
Balance, beginning of year	**22,246**	29,015
Additions	**16,803**	21,138
Amortisation	**(20,920)**	(25,664)
Others	**(779)**	(2,243)
Balance, end of year	**17,350**	22,246
Less: Purchased programme and film rights – current portion	**(1,141)**	(5,098)
	16,209	17,148

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

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:

	2014 **$'000**	2013 $'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**32,551**	33,552
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**201,817**	207,529
	234,368	241,081

	2014 **$'000**	2013 $'000
Balance, beginning of year	**241,081**	235,308
Addition	**–**	8,921
Currency translation differences	**(698)**	2,766
Amortisation (Note c)	**(6,015)**	(5,914)
Balance, end of year (Note a and Note b)	**234,368**	241,081

(a) Included in the net book value as of 31 December 2014 is an amount of HK$120,751,000 (2013: HK$124,720,000) which represents land use rights held by the Group for a piece of land situated in Beijing for development of the Phoenix International Media Centre. The land comprises of approximately 18,822 square metres and a intended total gross floor area of approximately 72,799 square metres. Upon completion of construction on 29 July 2014 ("Completion Date"), approximately 29,120 square metres are expected to be occupied by the Group for its operations in Beijing and 43,679 square metres to be held for rental income or capital appreciation.

14. LEASE PREMIUM FOR LAND (CONTINUED)

(b) Included in the net book value as of 31 December 2014 is an amount of HK$14,745,000 (2013: HK$15,150,000) 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 2014, 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 2014, 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)).

(c) Amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment up to the Completion Date amounted to HK$1,903,000 during the year (For the year 31 December ended 2013: HK$3,170,000).

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold land $'000	Building $'000 (Note a)	Leasehold improve -ments $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construc- tion in progress $'000 (Note d)	Total $'000
Year ended 31 December 2013										
Opening net book amount	11,360	153,860	229,453	4,767	317,484	12,682	177,547	89,414	353,715	1,350,282
Currency translation differences	39	137	791	10	2,721	129	4,381	–	9,698	17,906
Additions	1,356	1,537	9,860	1,208	94,322	6,149	6,090	–	129,760	250,282
Disposals	–	–	(7,700)	(37)	(1,491)	–	(1,383)	–	–	(10,611)
Depreciation	–	(4,441)	(47,190)	(2,452)	(106,800)	(4,206)	(27,524)	(7,299)	–	(199,912)
Impairment	–	–	–	–	–	–	(1,698)	–	(1,966)	(3,664)
Transfers	–	–	–	–	2,669	–	39,189	–	(41,858)	–
Closing net book amount	12,755	151,093	185,214	3,496	308,905	14,754	196,602	82,115	449,349	1,404,283
At 31 December 2013										
Cost	12,755	174,121	376,015	18,273	745,182	41,149	297,699	100,971	449,349	2,215,514
Accumulated depreciation and impairment	–	(23,028)	(190,801)	(14,777)	(436,277)	(26,395)	(101,097)	(18,856)	–	(811,231)
Net book amount	12,755	151,093	185,214	3,496	308,905	14,754	196,602	82,115	449,349	1,404,283

15. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Freehold land $'000	Building $'000 (Note a)	Leasehold improve -ments $'000	Furniture and fixtures $'000	Broadcast operations and other equipment $'000	Motor vehicles $'000	LED panels $'000 (Note b)	Aircraft $'000 (Note c)	Construc- tion in progress $'000 (Note d)	Total $'000
Year ended 31 December 2014										
Opening net book amount	12,755	151,093	185,214	3,496	308,905	14,754	196,602	82,115	449,349	1,404,283
Currency translation differences	(85)	(1,158)	(178)	3	(1,023)	(33)	(1,248)	–	(2,255)	(5,977)
Additions	–	–	63,679	4,204	100,771	8,849	2,959	–	175,816	356,278
Disposals	–	–	(163)	(5)	(1,786)	(70)	(960)	–	–	(2,984)
Depreciation	–	(12,385)	(42,638)	(1,802)	(105,334)	(5,468)	(30,790)	(7,299)	–	(205,716)
Impairment	–	–	–	–	–	–	(145)	–	–	(145)
Transfers	–	582,962	5,521	–	–	–	34,427	–	(622,910)	–
Closing net book amount	12,670	720,512	211,435	5,896	301,533	18,032	200,845	74,816	–	1,545,739
At 31 December 2014										
Cost	12,670	755,910	437,422	22,317	828,868	47,417	330,508	100,971	–	2,536,083
Accumulated depreciation and impairment	–	(35,398)	(225,987)	(16,421)	(527,335)	(29,385)	(129,663)	(26,155)	–	(990,344)
Net book amount	12,670	720,512	211,435	5,896	301,533	18,032	200,845	74,816	–	1,545,739

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Depreciation expense of approximately HK$143,423,000 (2013: HK$141,623,000) has been charged in "Operating expenses", and approximately HK$62,293,000 (2013: HK$58,289,000) in "Selling, general and administrative expenses".

(a) Included in the net book value as of 31 December 2014 is an amount of HK$25,483,000 (2013: HK$26,183,000) 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 2014, the cost of this capitalised finance lease was HK$30,848,000 (2013: HK$30,848,000) with a net book value of HK$25,483,000 (2013: HK$26,183,000). As at 31 December 2014, the Group was still in the process of obtaining the title certificate to the 8,500 square meters of the entitled areas through the payment of land premium and taxes (See Note 14(b)).

(b) As of 31 December 2014, the Group was still in the process of renewing and obtaining certain licences of LED panels. The Directors are of the opinion that the licences will be obtained in the near future and the risk of noncompliance with laws and regulations is remote.

(c) Included in the net book value as of 31 December 2014 is an amount of HK$74,816,000 (2013: HK$82,115,000) which relates to the aircraft for operation use.

(d) Interest capitalised under construction in progress up to the Completion Date amounted to HK$10,361,000 during the year (For the year ended 31 December 2013: HK$17,935,000).

16. INVESTMENT PROPERTIES

	2014 $'000	2013 $'000
Balance, beginning of year	**1,173,009**	899,134
Additions	**172,521**	147,384
Fair value gain	**175,777**	104,294
Currency translation differences	**(5,632)**	22,197
Balance, end of year	**1,515,675**	1,173,009

	2014 $'000	2013 $'000
Representing:		
Investment property under construction	–	1,162,902
Completed investment properties	**1,515,675**	10,107
Balance, end of year	**1,515,675**	1,173,009

(a) Fair value measurement of investment properties

The Group applied the fair value model for the accounting of investment properties. Independent valuations of the investment properties were performed by the valuers, Vigers Appraisal and Consulting Limited and Lambert Smith Hampton, to determine the fair value of the properties as at 31 December 2014 and 31 December 2013. Fair value gain of approximately HK$175,777,000 (2013: HK$104,294,000) are included in the "Other gains, net" in the consolidated income statement.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy

Description	**Fair value measurements at 31 December 2014 using significant unobservable inputs (Level 3) $'000**	Fair value measurements at 31 December 2013 using significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Investment properties		
– Phoenix International Media Centre – The PRC	**1,503,533**	1,162,902
– Commercial – UK	**12,142**	10,107

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2014 and 2013, which was derived by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Finance Department, headed by CFO, reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the Finance Department and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the Finance Department:

- Verifies all majors inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

16. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of investment properties (Continued)

(iii) Valuation techniques

For the investment property in UK with a carrying amount of HK$12,142,000 (2013: HK$10,107,000), the valuation of the investment property held directly by the Group is made on the basis of the "Market Value" adopted by The Royal Institution of Chartered Surveyors ("RICS"). It is performed in accordance with the RICS Valuation Standards on Properties published by RICS. The valuation is reviewed annually by a qualified valuer by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; (ii) recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those parties; and (iii) rental income derived from existing tenancies with due provision for reversionary income potential based on market conditions existing at the end of the reporting period.

These methodologies are based upon estimates of future results and a set of assumptions specific to the property to reflect its tenancy and cash flow profile. The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions including open market rents, appropriate capitalisation rate and reversionary income potential. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property.

In addition, the construction of an investment property in the PRC with a carrying value of HK$1,503,533,000 (2013: HK$1,162,902,000) has been completed as of 31 December 2014 (2013: in the process of construction). As at 31 December 2013, the fair value of this investment property under construction was determined using the residual method of valuation. The residual method 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, which is comparing the property to be valued directly with other comparable properties, which have recently transacted. As at 31 December 2014, the valuation technique has been changed to direct comparison method for the fair value of this investment property as the construction has been completed during the year. However, given the heterogeneous nature of this property, appropriate adjustments are made to allow for any qualitative differences that may affect the price likely to be achieved.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of investment properties (Continued)

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

Description	Fair value at 31 Dec 2014 ($'000)	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC	1,503,533	Direct comparison	Adjusted average price of HK$34,422 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	12,142	Discounted cash flow	Estimated rental value of HK$4,029 per annum per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 8%	The higher the reversionary yield, the lower the fair value

16. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of investment properties (Continued)

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

Description	Fair value at 31 Dec 2013 ($'000)	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC (under construction)	1,162,902	Residual method of valuation	Estimated gross development value of HK$31,605 per square metre	The higher the gross development value, the higher the fair value
			Discount rate of 6.4%	The higher the discount rate, the lower the fair value
			Estimated legal and marketing expenses of 3% on gross development value	The higher the legal and marketing expenses, the lower the fair value
Commercial – UK	10,107	Discounted cash flow	Estimated rental value of HK$3,469 per annum per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 8%	The higher the Reversionary yield, the lower the fair value

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of investment properties (Continued)

(v) Quantitative sensitivity analysis

The major sources of estimation uncertainty of investment properties are mainly contributed by the Phoenix International Media Centre and the quantitative sensitivity analysis is shown as below:

	Adjusted average price per square metre 5% increase or decrease $'000	Estimated gross development value 5% increase or decrease $'000	Estimated legal and marketing expenses 2% points higher or lower $'000	Discount rate 1% higher or lower $'000
At 31 December 2014	**75,177**	**N/A**	**N/A**	**N/A**
At 31 December 2013	N/A	60,321	27,488	5,652

(b) Borrowing cost

Interest capitalised under investment property under construction up to the Completion Date amounted to HK$15,542,000 during the year (For the year ended 31 December 2013: HK$26,902,000).

(c) Deferred tax

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 38).

17. INTANGIBLE ASSETS

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2013						
Opening net book amount	8,733	416	–	2,705	3,976	15,830
Amortisation	–	(416)	–	–	(381)	(797)
Currency translation differences	–	–	–	–	18	18
Closing net book amount	8,733	–	–	2,705	3,613	15,051
At 31 December 2013						
Cost	8,733	2,401	1,924	2,705	5,193	20,956
Accumulated amortisation and impairment	–	(2,401)	(1,924)	–	(1,580)	(5,905)
Net book amount	8,733	–	–	2,705	3,613	15,051
Year ended 31 December 2014						
Opening net book amount	**8,733**	**–**	**–**	**2,705**	**3,613**	**15,051**
Additions	**–**	**–**	**–**	**–**	**4,520**	**4,520**
Amortisation	**–**	**–**	**–**	**–**	**(1,479)**	**(1,479)**
Currency translation differences	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Closing net book amount	**8,733**	**–**	**–**	**2,705**	**6,652**	**18,090**
At 31 December 2014						
Cost	**8,733**	**2,401**	**1,924**	**2,705**	**9,710**	**25,473**
Accumulated amortisation and impairment	**–**	**(2,401)**	**(1,924)**	**–**	**(3,058)**	**(7,383)**
Net book amount	**8,733**	**–**	**–**	**2,705**	**6,652**	**18,090**

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17. INTANGIBLE ASSETS (CONTINUED)

No amortisation (2013: HK$416,000) is included in "Operating expenses", and approximately HK$1,479,000 (2013: HK$381,000) is included in "Selling, general and administrative expenses" during the year.

An impairment review of the carrying amount of goodwill at 31 December 2014 was performed and no impairment provision is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual 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 (2013: 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. INTERESTS IN JOINT VENTURES

	2014 $'000	2013 $'000
Unlisted investments, net	**42,318**	15,741
Amounts due from joint ventures (Note b)	**9,976**	15,259
	52,294	31,000

The Group's investments in joint ventures are analysed as follows:

	2014 $'000	2013 $'000
Unlisted investments, at cost	**20,559**	19,791
Fair value of non-controlling interests retained (Note 41(b))	**45,852**	–
Capital contribution	**3,164**	768
Less: Provision for impairment	**(472)**	(472)
Less: Share of profits less losses of joint ventures	**(26,785)**	(4,346)
Unlisted investments, net	**42,318**	15,741

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the joint ventures as at 31 December 2014 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 Beijing Simulcast Communication Co. Ltd. *	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB30,000,000
深圳市優悦文化傳播有限公司	The PRC, 15 December 2010	The PRC	Radio Broadcasting in the PRC	50%	RMB10,000,000
Phoenix U Radio Limited (Note a)	Hong Kong, 24 September 2010	Hong Kong	Radio Broadcasting	22.73%	HK$1,000 (A share) HK$100 (B share)
深圳鳳凰城市論壇有限公司 Shenzhen Phoenix City Forum Co., Ltd. *	The PRC, 15 August 2011	The PRC	Organising events and conferences	50%	RMB1,000,000
北京華寶鳳凰文化傳播有限公司 Huabao Phoenix Beijing Cultural Communication Co., Ltd.*	The PRC, 2 September 2013	The PRC	Provision of promotional related services	30%	RMB2,000,000
北京鳳凰天博網絡技術有限公司 Beijing Fenghuang Tianbo Network Technology Co., Ltd.*	The PRC, 31 May 2013	The PRC	New Media	27.38%	RMB1,960,000

* *For identification only*

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the joint ventures as at 31 December 2014 were as follows: (Continued)

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
Phoenix FM Limited	Cayman Islands, 29 August 2013	Cayman Islands	New Media	54.75%	US$0.01
Phoenix FM (Hong Kong) Company Limited	Hong Kong, 24 October 2013	Hong Kong	New Media	54.75%	HK$1
鳳凰愛聽（北京）信息技術有限公司 Phoenix FM (Beijing) Information Technology Co. Ltd. *	The PRC, 24 January 2014	The PRC	New Media	54.75%	USD1,700,000
北京鳳鳴九天網絡技術有限公司 Beijing Fengming Jiutian Network Technology Co. Ltd. *	The PRC, 28 February 2014	The PRC	New Media	54.75%	RMB1,000,000
深圳市鳳凰精彩網絡技術有限公司 Shenzhenshi Fenghuang Jingcai Network Technology Co. Ltd. *	The PRC, 1 April 2014	The PRC	New Media	24.67%	RMB10,000,000

* *For identification only*

(a) On 24 September 2010, the Group set up Phoenix U Radio Limited, a joint venture with certain individuals.

The registered capital of Phoenix U Radio Limited is HK$1,000 for Type A ordinary shares and HK$100 for Type B ordinary shares. In a contractual arrangement between the Group and the venturers, joint control over the economic activity of the entity is established.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Amounts due from joint ventures

	2014 **$'000**	2013 $'000
Amounts due from joint ventures	**83,797**	69,567
Less: Provision for impairment	**(73,821)**	(54,308)
Amounts due from joint ventures, net	**9,976**	15,259

The carrying amounts of amounts due from joint ventures, net, approximate fair values, as the impact of discounting is not significant.

Included in the amounts due from joint ventures under non-current assets as of 31 December 2014, there is a receivable amounting to HK$80,000,000 (2013: HK$60,000,000) due from a joint venture. The amount due from this joint venture bears interest at 2% plus the best lending rate per annum on HK$ quoted by The Hong Kong and Shanghai Banking Corporation Limited, secured by certain assets of this joint venture, and is not repayable within one year after the end of reporting period. The average effective interest rate was 7% (2013: 7%). The Group has recorded provision for impairment of HK$25,231,000 (2013: HK$22,011,000), included in "Other gains, net" for the year ended 31 December 2014, after taking into account the present value of estimated future cash flows from this joint venture.

Included in amounts due from joint ventures under non-current assets as of 31 December 2014, there is a receivable amounting to HK$3,797,000 (2013: HK$9,567,000) due from a joint venture. The amount due from this joint venture is interest-free, unsecured and not repayable within one year after the end of reporting period. The Group has recorded provision for impairment of HK$1,729,000 (2013: HK$3,402,000), included in "Other gains, net" for the year ended 31 December 2014, after taking into account the present value of estimated future cash flows from the joint venture. The amount due from a joint venture of HK$9,567,000 and the related provision for impairment of HK$7,447,000 as at 31 December 2013 has been reclassified as current assets and included in "Amounts due from related companies" (see Note 26(b)).

The carrying amounts of the Group's amounts due from joint ventures are denominated in the following currencies:

	2014 **$'000**	2013 $'000
HK$	**80,000**	60,000
RMB	**3,797**	9,567
	83,797	69,567

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(c) Aggregate information of joint ventures that are individually immaterial

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2014 **$'000**	2013 $'000
The Group's share of profits less losses and total comprehensive income	**(22,439)**	4,475
Aggregate carrying amount of the Group's interests in these joint ventures	**42,318**	15,741

(d) As at 31 December 2014, there are no commitments and contingent liabilities relating to the Group's interests in joint ventures (2013: Nil).

19. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are analysed as follows:

	2014 **$'000**	2013 $'000
Unlisted investments, at cost	**21,128**	5,564
Acquisition of an associate (Note (a))	**61,324**	–
Capital contribution	**–**	15,564
Share of profits less losses of associates	**3,271**	2,058
Unlisted investments, net	**85,723**	23,186

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the principal associates as at 31 December 2014 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
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
匯川創業投資股份有限公司 SinoPlus Venture Capital Corp.	Taiwan, 11 September 2013	Taiwan	Cultural development	30%	NTD200,000,000
Particle Inc. (Note (a))	Cayman Islands, 22 July 2013	Cayman Islands	New Media	25.64%	US$10,474

(a) Subsequent to the purchase of certain Preferred Shares of Particle Inc. on 10 September 2014 (see Note 28(a)), on 7 November 2014, Phoenix New Media Limited ("PNM") entered into an agreement with the founders of Particle Inc. to purchase a number of ordinary shares of Particle Inc. for a consideration of US$8,500,000 (consists of US$5,000,000 in cash and a number of restricted Class A ordinary shares of PNM valued at US$3,500,000). This transaction was completed on 23 December 2014. PNM involved an independent valuation firm to assess the restricted Class A ordinary shares of PNM issued as of 23 December 2014 and the fair value of these shares was determined to be US$2,822,000. The investment in ordinary shares of Particle Inc. amounted to US$7,822,000 (approximately HK$61,324,000), being the cash paid and the fair value of shares issued, has been classified as investment in an associate in the consolidated balance sheet.

Subsequent to the year end, PNM entered into an agreement with Particle Inc. to purchase a number of Series C redeemable preferred shares (see Note 46).

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Aggregate information of associates that are individually immaterial

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2014 **$'000**	2013 $'000
The Group's share of profits less losses and total comprehensive income	**1,213**	1,843
Aggregate carrying amount of the Group's interests (including goodwill) in these associates	**85,723**	23,186

(c) As at 31 December 2014, there are no commitments and contingent liabilities relating to the Group's interests in associates (2013: Nil).

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Non-current		
Unlisted shares, at cost (Note a)	**–**	–
Deemed capital contributions arising from share-based compensation	**115,734**	107,258
	115,734	107,258
Current		
Amounts due from subsidiaries, net (Note b)	**923,769**	1,002,512
Amount due to a subsidiary (Note b)	**(179,730)**	–

(a) The following is a list of principal subsidiaries at 31 December 2014:

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

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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 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	54.75%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited (Note a (i))	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
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 (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
Hong Kong Phoenix Satellite Television Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$2

* *For identification only*

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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 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
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	Technical consulting	54.75%	US$11,850,000
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
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

* *For identification only*

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
Hong Kong Phoenix Books Culture Publishing Company Limited (formerly known as Phoenix Publications (Hong Kong) Limited)	Hong Kong, limited liability company	The PRC	Publication	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	100%	HK$400
Phoenix New Media Limited	Cayman Islands, limited liability company	The PRC	Investment holding	54.75%	US$2,602,046 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
鳳凰都市傳媒科技股份有限公司（前稱鳳凰都市（北京）廣告傳播有限公司） Phoenix Metropolis Media Technology Co. Ltd. (formerly known as Phoenix Metropolis Media (Beijing) Company Limited) * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB154,000,000

* *For identification only*

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
鳳凰衛視都市傳媒（上海）有限公司 Phoenix Metropolis Media (Shanghai) Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB22,072,992
鳳凰衛視都市傳媒（杭州）有限公司 Phoenix Metropolis Media (Hangzhou) Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB35,000,000
鳳凰都市傳媒（廣州）有限公司 Phoenix Metropolis Media (Guangzhou) Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB3,000,000
江蘇鳳凰都市傳媒有限公司 Jiangsu Phoenix Metropolis Media Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited * (Note d)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,794,992
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited * (Note e)	The PRC, limited liability company	The PRC	Property holding	50%	RMB300,000,000
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	Satellite television broadcasting	100%	CAD100
Phoenix Metropolis Media Co. Ltd.	Hong Kong, limited liability company	The PRC	Outdoor media business	100%	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.* (Note a(ii))	The PRC, limited liability company	The PRC	Advertising, mobile value-add service, games and others	54.75%	RMB10,000,000

* *For identification only*

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
怡豐聯合(北京)科技有限責任公司 Yifeng Lianhe (Beijing) Technology Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Mobile value-add services	54.75%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Advertising. Co. Ltd.*	The PRC, limited liability company	The PRC	Advertising	54.75%	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	100%	RMB76,922,334
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 broadcasting	100%	RMB1,000,000
北京滙播廣告傳媒有限公司	The PRC limited liability company	The PRC	Radio broadcasting	100%	RMB19,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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 (UK) Properties Company Limited	Hong Kong, limited liability company	Hong Kong	Properties holding	100%	HK$1
Phoenix Satellite Television (Hong Kong Channel) Limited	Hong Kong, limited liability company	Hong Kong	Television broadcasting	100%	HK$1
Phoenix New Media (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Advertising	54.75%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1
Phoenix Research & Development Limited	British Virgin Islands, limited liability company	Hong Kong	Research and development	100%	US$1
Phoenix Industrial Development Centre Limited	Hong Kong, limited liability company	Hong Kong	Research and development	100%	HK$1
Phoenix Research Institute Limited	Hong Kong, company limited by guarantee	Hong Kong	Research and development	100%	–
Phoenix Culture Industrial Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
Phoenix Culture Creation Development Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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 Culture Creation Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
Phoenix Culture Creation Industrial Investment Management Company Limited	Hong Kong, limited liability company	Hong Kong	Cultural development	100%	HK$1
北京鳳凰于天軟件技術有限公司 Beijing Fenghuang Yutian Software Technology Co., Ltd. *	The PRC, limited liability company	The PRC	Software development	54.75%	RMB5,000,000
北京繼融文華文化傳播有限公司 Beijing Jirong Wenhua Culture Communication Co., Ltd. *	The PRC, limited liability company	The PRC	Publishing	54.75%	RMB5,000,000
鳳凰衛視文化產業發展（上海）有限公司 Phoenix Culture Industrial Development (Shanghai) Co., Ltd. *	The PRC, limited liability company	The PRC	Cultural development	100%	RMB25,000,000
天津鳳凰銘道文化傳播有限公司 Tianjin Fenghuang Mingdao Culture Communication Co., Ltd. *	The PRC, limited liability company	The PRC	Advertising	54.75%	RMB2,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
北京天盈創展文化傳播有限公司 Beijing Tianying Chuangzhan Culture Communication Co., Ltd.*	The PRC, limited liability company	The PRC	Advertising	54.75%	RMB5,000,000
Phoenix Overseas Infonews Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰飛揚(北京)新媒體信息技術有限公司 Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Technical consulting	54.75%	RMB100,000,000
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	54.75%	HK$1
フエニツクス•インフオニユース•ジヤパン株式会社 Phoenix InfoNews Japan Limited*	Japan, limited liability company	Japan	Satellite television broadcasting	100%	JPY 9,000,000
上海鳳凰衛視俊安藝術發展有限公司 Shanghai Phoenix General Nice Art Development Co. Ltd.*	The PRC, limited liability company	The PRC	Cultural development	72%	RMB100,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (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
I Game Limited	Cayman Islands, exempted company	Cayman Islands	Investment holding	54.75%	US$0.01
I Game (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Game	54.75%	HK$1
北京塵寰科技有限公司 Beijing Chenhuan Technology Co., Ltd.*(Note a (ii))	The PRC, limited liability company	The PRC	Game	54.75%	RMB1,500,000
北京遊九州技術有限公司 Beijing Youjiuzhou Technology Co., Ltd.*(Note a (ii))	The PRC, limited liability company	The PRC	Game	54.75%	RMB1,500,000
北京歡遊天下科技有限公司 Beijing Huanyou Tianxia Technology Co., Ltd.* (Note a (ii))	The PRC, limited liability company	The PRC	Game	54.75%	RMB1,500,000
北京鳳凰博鋭軟件技術有限責任公司 Beijing Fenghuang Borui Software Technology Co. Ltd.*	The PRC, limited liability company	The PRC	Software development	54.75%	US$1,000,000
愜意游（北京）信息技術有限公司 Qie Yi You (Beijing) Information Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Game	54.75%	US$5,000,000

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20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2014: (Continued)

Notes:

i. 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.

ii. The Group does not have any equity interest in Beijing Tianying Jiuzhou Network Technology Co. Ltd., Yifeng Lianhe (Beijing) Technology Co. Ltd., Beijing Chenhuan Technology Co. Ltd., Beijing Youjiuzhou Technology Co. Ltd. and Beijing Huanyou Tianxia Technology Co. Ltd. (collectively referred to as "VIE entities"). However, through entering various contractual arrangements with the registered equity holders of VIE entities, the Group has rights to variable returns from its involvement with these VIE entities and has the ability to affect those returns through its power over them and is considered to control them. Consequently, the Company regards VIE entities as indirect subsidiaries under HKFRS. The Group has included the financial position and results of these VIE entities in the consolidated financial statements from date of acquisition of control. The management of the Group is of the opinion that these contractual arrangements are in compliance with relevant PRC laws and regulations and are legally binding and enforceable.

(b) Amounts due from/(to) subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of amounts due from/(to) subsidiaries approximate their fair values as the impact of discounting is not significant. The fair value of amounts due from/(to) subsidiaries are based on cash flows discounted using a rate based on the borrowing rate of 0.85% (2013: 0.87%) and are within level 2 of the fair value hierarchy.

(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 2014.

(d) The Group has assessed the existence of control over these subsidiaries where it does not have more than 50% of the voting power but is able to govern the financial and operating policies of these subsidiaries by virtue of de-facto control.

(e) The Group has assessed the existence of control over this subsidiary as the Group has is able to govern the financial and operation policies of this subsidiary through control of the board of directors of this subsidiary.

(f) Cash and short-term deposits of HK$2,151,639,000 (2013: HK$1,294,264,000) held in the PRC are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(g) Material non-controlling interests

The total non-controlling interests as at 31 December 2014 are HK$1,723,634,000 (2013: HK$1,591,384,000), of which HK$326,798,000 (2013: HK$331,431,000) is attributed to PMM Beijing and its subsidiaries (collectively referred to as "PMM Group"); HK$1,025,617,000 (2013: HK$941,615,000) is attributed to PNM and its subsidiaries (collectively referred to as "PNM Group"); and HK$363,415,000 (2013: HK$304,882,000) is attributed to Phoenix Oriental (Beijing) Properties Company limited ("Phoenix Oriental"). The non-controlling interests in respect of other subsidiaries in which the Group holds less than 100% are not material.

Set out below are the summarised financial information for PMM Group, PNM Group and Phoenix Oriental that have non-controlling interests that are material to the Group. See Note 42 for transactions with non-controlling interests.

Summarised balance sheet

	PMM Group		PNM Group		Phoenix Oriental	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current assets	**403,348**	438,793	**2,551,214**	2,417,874	**133,031**	32,637
Current liabilities	**(190,295)**	(225,546)	**(744,522)**	(578,283)	**(1,161,580)**	(843,694)
Net current assets/(liabilities)	**213,053**	213,247	**1,806,692**	1,839,591	**(1,028,549)**	(811,057)
Non-current assets	**389,860**	395,330	**356,292**	184,989	**2,177,077**	1,703,085
Non-current liabilities	**–**	–	**(1,699)**	(15,566)	**(407,817)**	(282,264)
Net non-current assets	**389,860**	395,330	**354,593**	169,423	**1,769,260**	1,420,821
Net assets	**602,913**	608,577	**2,161,285**	2,009,014	**740,711**	609,764
Non-controlling interests within PMM Group/ PNM Group/ Phoenix Oriental	**–**	–	**–**	(6,856)	**–**	–
Net assets attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**602,913**	608,577	**2,161,285**	2,002,158	**740,711**	609,764
Non-controlling interests	**326,798**	331,431	**1,025,617**	941,615	**363,415**	304,882

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(g) Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	PMM Group		**PNM Group**		**Phoenix Oriental**	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Revenue	**553,604**	612,823	**1,989,680**	1,751,100	**2,431**	–
Profit before income tax	**42,050**	100,006	**429,801**	419,851	**163,819**	91,638
Income tax expense	**(17,635)**	(35,845)	**(60,915)**	(47,520)	**(43,350)**	(26,050)
Profit after income tax	**24,415**	64,161	**368,886**	372,331	**120,469**	65,588
Other comprehensive income/(loss)	**–**	–	**5,677**	(29,185)	**–**	–
Profit and total comprehensive income for the year	**24,415**	64,161	**374,563**	343,146	**120,469**	65,588
Total comprehensive income/(loss) for the year attributable to non-controlling interests within PMM Group/PNM Group/Phoenix Oriental	**–**	–	**(1,225)**	(20)	**–**	–
Total comprehensive income for the year attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**24,415**	64,161	**373,338**	343,126	**120,469**	65,588
Total comprehensive income allocated to non-controlling interests	**13,115**	34,942	**172,481**	162,024	**60,234**	32,794
Dividends paid to non-controlling interests	**16,068**	10,470	**–**	–	**–**	–

20. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(g) Material non-controlling interests (Continued)

Summarised cash flows

	PMM Group		PNM Group		Phoenix Oriental	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from operations	**93,287**	133,392	**487,892**	467,553	**272,137**	13,260
Income tax paid	**(42,313)**	(33,081)	**(42,015)**	(24,940)	**–**	–
Net cash generated from operating activities	**50,974**	100,311	**445,877**	442,613	**272,137**	13,260
Net cash (used in)/generated from investing activities	**(31,062)**	(57,597)	**(173,604)**	142,104	**(298,309)**	(233,702)
Net cash (used in)/generated from financing activities	**(29,501)**	(19,598)	**(293,390)**	(81,909)	**113,240**	104,419
Net increase/(decrease) in cash and cash equivalents	**(9,589)**	23,116	**(21,117)**	502,808	**87,068**	(116,023)
Cash and cash equivalents at beginning of year	**174,644**	151,528	**1,664,736**	1,165,917	**34,143**	150,166
Net exchange (losses)/gains on cash and cash equivalents	**(410)**	–	**(3,594)**	(3,989)	**810**	–
Cash and cash equivalents at end of year	**164,645**	174,644	**1,640,025**	1,664,736	**122,021**	34,143

The information above represents amounts before inter-company eliminations.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

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 and loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2014				
Available-for-sale financial assets (Note 28)	–	–	32,770	32,770
Derivative financial instrument (Note 40)	–	56,105	–	56,105
Financial assets at fair value through profit or loss (Note 27)	–	22,590	–	22,590
Bank deposits (Note 29)	294,081	–	–	294,081
Long-term bank deposit (Note 39)	283,006	–	–	283,006
Accounts receivable (Note 23)	815,571	–	–	815,571
Other receivables (Note 24)	773,345	–	–	773,345
Amounts due from related companies (Note 26)	148,509	–	–	148,509
Amounts due from joint ventures (Note 18)	9,976	–	–	9,976
Restricted cash (Note 30)	1,603	–	–	1,603
Cash and cash equivalents (Note 31)	3,407,711	–	–	3,407,711
Total	5,733,802	78,695	32,770	5,845,267

21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

	Loans and receivables $'000	Financial assets at fair value through profit and loss $'000	Available-for-sale $'000	Total $'000
Assets as per consolidated balance sheet				
31 December 2013				
Available-for-sale financial assets	–	–	962	962
Derivative financial instrument (Note 40)	–	–	–	–
Financial assets at fair value through profit or loss (Note 27)	–	25,689	–	25,689
Bank deposits (Note 29)	329,506	–	–	329,506
Long-term bank deposit (Note 39)	–	–	–	–
Accounts receivable (Note 23)	673,874	–	–	673,874
Other receivables (Note 24)	759,815	–	–	759,815
Amounts due from related companies (Note 26)	103,283	–	–	103,283
Amounts due from joint ventures (Note 18)	15,259	–	–	15,259
Restricted cash (Note 30)	13,729	–	–	13,729
Cash and cash equivalents (Note 31)	3,333,076	–	–	3,333,076
Total	5,228,542	25,689	962	5,255,193

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

	Financial liability at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Liabilities per consolidated balance sheet			
31 December 2014			
Derivative financial instrument (Note 40)	1,137	–	1,137
Accounts payable, other payables and accruals (Note 36)	–	1,105,722	1,105,722
Borrowings			
– Secured bank borrowings (Note 37(a))	–	855,345	855,345
– Loans from non-controlling shareholders of a subsidiary (Note 37(b))	–	276,021	276,021
Total	1,137	2,237,088	2,238,225
31 December 2013			
Derivative financial instrument (Note 40)	–	–	–
Accounts payable, other payables and accruals (Note 36)	–	796,390	796,390
Borrowings			
– Secured bank borrowings (Note 37(a))	–	606,600	606,600
– Loans from non-controlling shareholders of a subsidiary (Note 37(b))	–	138,627	138,627
Total	–	1,541,617	1,541,617

21. FINANCIAL INSTRUMENTS BY CATEGORIES (CONTINUED)

Company

	Loans and receivables $'000
Assets as per balance sheet	
31 December 2014	
Cash and cash equivalents (Note 31)	2,442
Amounts due from subsidiaries, net (Note 20)	923,769
	926,211
31 December 2013	
Cash and cash equivalents (Note 31)	1,722
Amounts due from subsidiaries, net (Note 20)	1,002,512
	1,004,234

	Financial liabilities at amortised cost $'000
Liabilities as per balance sheet	
31 December 2014	
Other payables and accruals (Note 36(b))	585
Amount due to a subsidiary (Note 20)	179,730
	180,315
31 December 2013	
Other payables and accruals (Note 36(b))	343

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

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

	2014	2013
	$'000	$'000
Counterparties without external credit rating		
Group 1	**85,619**	54,799
Group 2	**783,285**	670,492
	868,904	725,291

Other receivables

	2014	2013
	$'000	$'000
Counterparties without external credit rating		
Group 1	**49,164**	6,626
Group 2	**724,181**	753,189
	773,345	759,815

Amounts due from related companies

	2014	2013
	$'000	$'000
Counterparties without external credit rating		
Group 2	**148,509**	103,283

Group 1 – new customers/related parties (less than 6 months).

Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.

22. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

Cash and cash equivalents

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
AA–	**264,110**	13	**2,386**	–
A+	**720**	574,064	**–**	1,667
A	**44,994**	10,961	**56**	55
A–	**1,113,324**	918,912	**–**	–
BBB+	**1,804,961**	1,666,808	**–**	–
BBB	**78**	82	**–**	–
Others (Note a)	**178,539**	161,225	**–**	–
	3,406,726	3,332,065	**2,442**	1,722

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

Restricted cash

	2014	2013
	$'000	$'000
AA–	**979**	–
A+	**–**	748
A	**624**	255
BBB+	**–**	12,726
	1,603	13,729

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

22. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets

	2014 $'000	2013 $'000
Others (Note b)	**32,770**	962

Note b: Balance represents investments in debt and equity securities of private companies which credit ratings are not available.

Bank deposits

	2014 $'000	2013 $'000
AA–	**283,006**	–
A+	**–**	25,412
A	**–**	5,727
BBB+	**256,112**	298,367
Others	**37,969**	–
	577,087	329,506

Financial assets at fair value through profit or loss

	2014 $'000	2013 $'000
AA–	**22,590**	–
A+	**–**	25,689
	22,590	25,689

None of the financial assets that are fully performing has been renegotiated during the year (2013: Nil).

23. ACCOUNTS RECEIVABLE, NET

	2014 $'000	2013 $'000
Accounts receivable	**868,904**	725,291
Less: Provision for impairment	**(53,333)**	(51,417)
	815,571	673,874

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

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (Note 24). The Group generally requires its advertising customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

At 31 December 2014, the ageing analysis of the accounts receivable from customers was as follows:

	2014 $'000	2013 $'000
0-30 days	**210,666**	206,429
31-60 days	**163,925**	157,764
61-90 days	**124,380**	88,961
91-120 days	**119,636**	82,687
Over 120 days	**250,297**	189,450
	868,904	725,291
Less: Provision for impairment	**(53,333)**	(51,417)
	815,571	673,874

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

23. ACCOUNTS RECEIVABLE, NET (CONTINUED)

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

	2014	2013
	$'000	$'000
RMB	**840,680**	714,970
US$	**26,441**	7,808
UK pound	**1,750**	2,489
Other currencies	**33**	24
	868,904	725,291

Movements on the Group's provision for impairment of accounts receivable are as follows:

	2014	2013
	$'000	$'000
At 1 January	**51,417**	43,192
Provision for impairment	**18,549**	15,837
Receivables written off during the year as uncollectible	**(6,043)**	(8,916)
Reversal of provision for impairment	**(4,534)**	–
Disposal of subsidiaries	**(5,720)**	–
Currency translation differences	**(336)**	1,304
At 31 December	**53,333**	51,417

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$18,549,000 (2013: HK$15,837,000) for the impairment of its accounts receivable for the year ended 31 December 2014. The loss has been included in "Selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$6,043,000 (2013: HK$8,916,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year.

As at 31 December 2014, accounts receivable of approximately HK$279,847,000 (2013: HK$182,032,000) 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:

	2014 **$'000**	2013 $'000
0-30 days	**79,407**	62,295
31-60 days	**40,755**	33,572
61-90 days	**28,253**	20,216
91-120 days	**35,760**	15,000
Over 120 days	**95,672**	50,949
	279,847	182,032

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. Refer to Note 3(d) for collaterals held by the Group.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 **$'000**	2013 $'000
Prepayment and deposits	**176,904**	198,821
Other receivables	**773,345**	759,815
	950,249	958,636
Less: Non-current portion	**(56,942)**	(61,956)
Current portion	**893,307**	896,680

Included in other receivables is an amount of approximately RMB490,122,000 (HK$620,303,000) (2013: RMB464,858,000 (HK$591,578,000)) 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.

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

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately RMB490,122,000 (HK$620,303,000) as at 31 December 2014 (2013: approximately RMB464,858,000 (HK$591,578,000)) is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2014, other receivables of HK$773,345,000 (2013: HK$759,815,000) 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:

	2014 **$'000**	2013 $'000
Up to 90 days	**355,329**	643,548
91 to 180 days	**341,697**	30,168
Over 180 days	**76,319**	86,099
	773,345	759,815

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

	2014 **$'000**	2013 $'000
RMB	**714,619**	721,981
US$	**752**	698
HK$	**54,341**	34,098
UK pound	**3,616**	3,003
Other currencies	**17**	35
	773,345	759,815

As at 31 December 2014, other receivables of HK$25,071,000 (2013: HK$25,071,000) were impaired. The Group has not recorded provision for impairment (2013: HK$11,272,000) in "Operating expenses" for the year, after taking into account the present value of the estimated future cash flows from these receivables.

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

	2014 $'000	2013 $'000
Decoder devices and satellite receivers	**3,053**	3,200
Premium	**5,064**	5,191
	8,117	8,391

The cost of inventories sold of approximately HK$443,000 (2013: HK$1,782,000) for the year ended 31 December 2014 is charged to the consolidated income statement.

26. AMOUNTS DUE FROM RELATED COMPANIES

	2014 $'000	2013 $'000
Amounts due from related companies		
– CMCC (Note a)	**101,995**	92,945
– Joint ventures (Note b)	**44,339**	3,017
– An associate (Note c)	**2,137**	7,283
– Other related companies	**38**	38
	148,509	103,283

At 31 December 2014, the ageing analysis of the amounts due from related companies, were as follows:

	2014 $'000	2013 $'000
Amounts due from related companies		
0 – 90 days	**79,446**	57,428
91 – 120 days	**16,042**	7,588
over 120 days	**53,021**	38,267
	148,509	103,283

As at 31 December 2014, amounts due from related companies of HK$54,835,000 (2013: HK$29,990,000) were past due but not impaired.

	2014 $'000	2013 $'000
Amounts due from related companies		
up to 90 days	**28,926**	21,573
91 to 180 days	**7,216**	5,551
over 180 days	**18,693**	2,866
	54,835	29,990

26. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

The carrying amounts of the Group's amounts due from related companies, are denominated in the following amounts

	2014 **$'000**	2013 $'000
Amounts due from related companies		
RMB	**132,870**	94,116
HK$	**13,502**	1,884
US$	**2,137**	7,283
	148,509	103,283

(a) As at 31 December 2014, amount due from China Mobile Communications Corporation ("CMCC") and its subsidiaries ("CMCC Group"), a substantial shareholder of the Company, is approximately HK$101,995,000 (2013: HK$92,945,000) (Note 44(i)(j)). Extra Step Investments Limited, a subsidiary of the CMCC Group, is a substantial shareholder of the Company.

(b) As at 31 December 2014, the gross amount due from joint ventures is HK$53,853,000 (2013: HK$3,017,000) and the provision for impairment is HK$9,514,000 (2013: Nil). The Group recorded provision for impairment of HK$2,067,000 (2013: nil), included in "Other gains, net" for the year, after taking into account the present value of the estimated cash flows from the joint ventures.

(c) As at 31 December 2014, the gross amount due from the associate is HK$11,888,000 (2013: HK$12,196,000) and the provision for impairment is HK$9,751,000 (2013: HK$4,913,000). The Group recorded provision for impairment of HK$4,838,000 (2013: HK$4,913,000), included in "Other gains, net" for the year, after taking into account the present value of the estimated cash flows from the associate.

(d) The outstanding balances with related parties are unsecured, non-interest bearing and repayable on demand, except for trade receivables from related parties which are repayable in accordance with credit terms.

The carrying amounts of amounts due from related companies approximate their fair values as the impact of discounting is not significant.

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

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 $'000	2013 $'000
Trading equity securities	**22,590**	25,689

As at 31 December 2014, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$22,590,000 (2013: HK$25,689,000).

Fair value loss on financial assets at fair value through profit or loss of HK$3,099,000 (2013: Fair value gain of HK$870,000) are recognised in "Other gains, net" in the consolidated income statement (Note 6).

These shares are held for trading. The fair value of these shares is based on the current bid prices in an active market. As at 31 December 2014, the closing price of the shares of HSBC listed in Hong Kong was HK$74 (2013: HK$84.15). If the price of the shares of HSBC increased/decreased by 20% with all other variables held constant, post-tax profit for the year would have been HK$4,518,000 (2013: HK$5,138,000) higher/lower.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 $'000	2013 $'000
At 1 January	**962**	962
Addition (Note a)	**29,438**	–
Provision for impairment	**(962)**	–
Fair value gain	**3,332**	–
At 31 December	**32,770**	962

Available-for-sale financial assets include the following:

	2014 $'000	2013 $'000
Unlisted securities:		
– Preferred Shares – debt component	**32,770**	–
– Equity security	**–**	962
	32,770	962

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Notes:

(a) On 10 September 2014, PNM entered into an agreement to purchase a number of Preferred Shares of Particle Inc. (the "Agreement") for a consideration of US$6,000,000 (approximately HK$46,605,000). This transaction was completed on 22 October 2014. Upon approval of the board of directors of Particle Inc. 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 Preferred Shares are convertible into ordinary shares at the option of the holder at any time or on the occurrence of certain events as specified in the Agreement. The Preferred Shares are redeemable on the occurrence of certain events as specified in in the Agreement.

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

- debt component (recognised as available-for-sale financial assets)
- derivative component (recognised as derivative financial instrument) (Note 40)

See also Notes 19 and 46 for the Group's other investments in Particle Inc.

(b) The carrying amounts of the Group's available-for-sale financial assets (before provision of impairment) are denominated in the following currencies:

	2014 **$'000**	2013 $'000
RMB	**962**	962
US$	**32,770**	–
	33,732	962

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

29. BANK DEPOSITS

	2014 $'000	2013 $'000
Short-term deposits (Note a)	**218,700**	253,270
Structured deposits (Note b)	**75,381**	76,236
	294,081	329,506

(a) Short-term bank deposits represents bank deposits with a maturity date exceeding 90 days but not exceeding 1 year from the date of making the deposits. The carrying amounts of bank deposits are denominated in the following currencies:

	2014 $'000	2013 $'000
RMB	**88,593**	146,857
US$	**205,488**	182,649
	294,081	329,506

(b) Structured deposits are currency linked deposits with maturity periods of 3 months (2013: ranging from 3 to 6 months) from the date of making the deposits. On the maturity dates, the interest rates on the structured deposits are fixed at 1.2% per annum (2013: range from 0% to 6% per annum depending on the exchange rates between RMB and US$) and the deposits are settled in RMB. The carrying amounts of structured deposits are denominated in US$ (2013: RMB).

30. RESTRICTED CASH

Restricted cash represents funds pledged to banks to secure banking guarantee and advance payment.

	Group	
	2014 $'000	2013 $'000
RMB	**253**	12,981
UK pound	**979**	748
EURO	**371**	–
	1,603	13,729

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31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**2,419,289**	1,439,910	**2,442**	1,722
Short-term bank deposits	**988,422**	1,893,166	**–**	–
	3,407,711	3,333,076	**2,442**	1,722
Maximum exposure to credit risk	**3,406,726**	3,332,065	**2,442**	1,722
Denominated in:				
– HK$	**102,584**	60,234	**2,318**	1,599
– RMB	**2,944,958**	2,118,190	**–**	–
– US$	**343,698**	1,144,762	**124**	123
– Other currencies	**16,471**	9,890	**–**	–
	3,407,711	3,333,076	**2,442**	1,722

Cash and cash equivalents include cash at bank and on hand and short-term bank deposits with an original maturity of three months or less for the purpose of the consolidated statement of cash flows.

32. BANKING FACILITIES

As at 31 December 2014, the Group has undrawn banking facilities of HK$224,688,000 (2013: HK$115,898,000).

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

33. SHARE CAPITAL

	2014 Number of shares	2014 Amount $'000	2013 Number of shares	2013 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	**4,997,187,500**	**499,718**	4,993,585,500	499,358
Exercise of share options	**508,000**	**51**	3,602,000	360
At 31 December	**4,997,695,500**	**499,769**	4,997,187,500	499,718

34. SHARE-BASED COMPENSATION

(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.

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

	2014 Average exercise price in HK$ per share	2014 Options '000	2013 Average exercise price in HK$ per share	2013 Options '000
At 1 January	**2.82**	**109,896**	2.78	114,868
Exercised	**1.40**	**(508)**	1.33	(3,602)
Lapsed	**2.92**	**(2,010)**	2.92	(1,370)
At 31 December	**2.83**	**107,378**	2.82	109,896

As at 31 December 2014, out of the 107,378,000 (2013: 109,896,000) outstanding options, 82,165,500 (2013: 58,466,000) were exercisable. Options exercised in 2014 resulted in 508,000 (2013: 3,602,000) shares being issued at HK$1.40 each (2013: HK$1.33). The related weighted average share price at the time of exercise was HK$2.70 (2013: HK$2.90) per share.

34. SHARE-BASED COMPENSATION (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 in HK$ per share	Share options 2014 '000	2013 '000
25 March 2017	1.45	**4,756**	5,182
21 July 2019	1.17	**1,772**	1,854
8 March 2021	2.92	**98,060**	100,070
27 June 2021	3.06	**2,790**	2,790
		107,378	109,896

(b) Share options of PNM

PNM has a share option scheme under which it may grant options to the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of PNM and/or its affiliates ("PNM Share Option Scheme"). Options are granted and exercisable in accocrdance with terms set out in the PNM Share Option Scheme. PNM 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:

	2014		2013	
	Average exercise price in US$ per share	**Options '000**	Average exercise price in US$ per share	Options '000
At 1 January	**0.44385**	**39,770**	0.03215	13,997
Granted	**1.29777**	**21,053**	0.58377	30,733
Lapsed	**0.90818**	**(4,014)**	0.44330	(1,409)
Exercised	**0.22940**	**(6,542)**	0.03215	(3,551)
At 31 December	**0.79232**	**50,267**	0.44385	39,770

As at 31 December 2014, out of the 50,267,000 (2013: 39,770,000) outstanding options, 13,382,000 (2013: 10,223,000) were exercisable. Options exercised in 2014 resulted in 6,542,000 (2013: 3,551,000) shares being issued at US$0.22940 each (2013: US$0.03215). The related weighted average share price at the time of exercise was US$1.31 (2013: US$1.06) per share.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

34. SHARE-BASED COMPENSATION (CONTINUED)

(b) Share options of PNM (Continued)

Management estimates the fair values of options at the grant dates. The fair values of the options were determined using the Black-Scholes model. The key assumptions used in the valuation of the fair value of the options granted on respective dates are set out in the below table.

Date of grant	Fair value of share options (US$)	Closing share price at grant date (US$)	Exercise price per share (US$)	Annual risk-free interest rate (%)	Expected life of options (years)	Expected volatility (%)
15 March 2013	0.29895	0.5125	0.44593	1.54%	6.16	58.10%
23 May 2013	0.37349	0.61125	0.46565	1.60%	6.16	57.60%
01 October 2013	0.9615	1.40625	0.7867	1.87%	6.16	58.20%
08 October 2013	1.0998	1.5775	0.8249	1.88%	6.16	58.20%
10 December 2013	0.6609	1.1575	1.08443	1.71%	6.16	58.40%
14 March 2014	0.8336	1.405	1.3100	1.88%	6.16	62.20%
04 June 2014	0.6626	1.230	1.2749	1.61%	6.16	56.98%
11 July 2014	0.6608	1.236	1.3035	1.60%	6.16	56.38%
11 October 2014	0.6608	1.093	0.8249	1.60%	5.81	56.13%

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

Expiry date	Exercise price in US$ per share	Share options 2014 '000	Share options 2013 '000
25 May 2018	0.03215	**7,013**	10,437
14 March 2023	0.44593	**12,796**	17,308
22 May 2023	0.46565	**2,900**	4,800
30 September 2023	0.78670	**150**	150
7 October 2023	0.82490	**5,770**	6,175
9 December 2023	1.08443	**1,900**	900
13 March 2024	1.31000	**980**	–
3 June 2024	1.27490	**1,015**	–
4 June 2024	1.27490	**800**	–
10 July 2024	1.30350	**16,781**	–
10 October 2024	0.82490	**162**	–
		50,267	39,770

34. SHARE-BASED COMPENSATION (CONTINUED)

(c) Restricted share units and restricted shares of PNM

On 15 March 2011, PNM adopted the restricted share unit ("RSU") and restricted share ("RS") scheme.

Movement in RSU during the year is as follows:

	2014 RSU '000	2013 RSU '000
At 1 January	**426**	1,687
Vested	**(387)**	(1,156)
Lapsed	**(6)**	(105)
At 31 December	**33**	426

Movement in RS during the year is as follows:

	2014 RS '000	2013 RS '000
At 1 January	**845**	4,760
Vested	**(676)**	(2,865)
Lapsed	**(169)**	(1,050)
At 31 December	**–**	845

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

35. RESERVES

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

	Share premium payment $'000	**Employee share-based payment reserve** $'000	**Retained earnings** $'000	**Total** $'000
At 31 December 2012	30,449	85,965	730,296	846,710
Exercise of share options	5,762	(1,337)	–	4,425
Lapse of share options	618	(618)	–	–
Loss for the year	–	–	(3,529)	(3,529)
Dividends related to 2012	–	–	(254,793)	(254,793)
Share-based compensation expenses	–	18,618	–	18,618
At 31 December 2013	**36,829**	**102,628**	**471,974**	**611,431**
Exercise of share options	858	(195)	–	663
Lapse of share options	1,286	(1,286)	–	–
Loss for the year	–	–	(3,841)	(3,841)
Dividends related to 2013 (Note 11)	–	–	(254,867)	(254,867)
Share-based compensation expenses	–	8,475	–	8,475
At 31 December 2014	**38,973**	**109,622**	**213,266**	**361,861**

36. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

(a) Group

	2014 **$'000**	2013 $'000
Accounts payable	**410,601**	332,532
Other payables and accruals	**705,039**	476,597
	1,115,640	809,129
Less: Non-financial liabilities	**(9,918)**	(12,739)
	1,105,722	796,390

36. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(a) Group (Continued)

At 31 December 2014, the ageing analysis of the accounts payable was as follows:

	2014 **$'000**	2013 $'000
0-30 days	**221,174**	168,498
31-60 days	**32,161**	44,126
61-90 days	**14,665**	14,227
91-120 days	**24,424**	21,509
Over 120 days	**118,177**	84,172
	410,601	332,532

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

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

	2014 **$'000**	2013 $'000
HK$	**150,923**	124,462
RMB	**935,612**	660,456
US$	**14,468**	5,657
UK pound	**4,102**	5,325
Other currencies	**617**	490
	1,105,722	796,390

(b) Company

The amount represents accruals for administrative expenses of HK$585,000 (2013: HK$343,000). The carrying amount approximates its fair value and is denominated in HK$.

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(Unless otherwise specified, amounts expressed in Hong Kong dollars)

37. BORROWINGS

	Group	
	2014	2013
	$'000	$'000
Secured bank borrowings (Note a)	**855,345**	606,600
Loans from non-controlling shareholders of a subsidiary (Note b)	**276,021**	138,627
	1,131,366	745,227

(a) Secured bank borrowings

	2014	2013
	$'000	$'000
Non-current		
Long-term secured bank borrowings	**853,272**	604,485
Less: Current portion of long-term secured bank borrowings	**(598,629)**	(534,492)
	254,643	69,993
Current		
Short-term secured bank borrowings	**2,073**	2,115
Current portion of long-term secured bank borrowings	**598,629**	534,492
	600,702	536,607
Total secured bank borrowings	**855,345**	606,600

	2014	2013
	$'000	$'000
The secured bank borrowings are repayable as follows:		
– Within one year	**600,702**	536,607
– More than one year but not exceeding two years	**254,643**	69,993
	855,345	606,600

37. BORROWINGS (CONTINUED)

(a) Secured bank borrowings (Continued)

Bank borrowings of HK$598,629,000 (2013: HK$604,485,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$121,000,000(2013: HK$125,000,000), HK$547,000,000 (2013: HK$415,000,000) and HK$1,504,000 (2013: HK$1,163,000,000) recorded in lease premium for land, construction in progress and investment properties respectively as at 31 December 2014. These bank borrowings with original maturities in July 2014 have been extended to July 2015 and have been reclassified to current liabilities as at 31 December 2014. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 7.44% (2013: 7.43%) annually.

A bank borrowing of HK$2,073,000 (2013: HK$2,115,000) is secured by a property in the United States with carrying value of approximately HK$2,851,000 (2013: HK$2,890,000) recorded in property, plant and equipment as at 31 December 2014. The bank borrowing is denominated in US$ and bears interest at an average interest rate of 3.59% (2013: 3.59%) annually.

A bank borrowing of HK$254,643,000 (2013: Nil) with maturity in June 2016 is secured by a long-term bank deposit of HK$283,006,000 (2013: Nil) as at 31 December 2014 (Note 39). The bank borrowing is denominated in US$ and bears interest at London Interbank Offered Rate ("LIBOR") plus 0.7% per annum.

(b) Loans from non-controlling shareholders of a subsidiary

	2014 **$'000**	2013 $'000
Non-current		
Long-term loans from non-controlling shareholders of a subsidiary wholly repayable within 5 years	**266,567**	129,121
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**9,454**	9,506
Total loans from non-controlling shareholders of a subsidiary	**276,021**	138,627

37. BORROWINGS (CONTINUED)

(b) Loans from non-controlling shareholders of a subsidiary (Continued)

The loans from non-controlling shareholders of a subsidiary are repayable as follows:

	2014 **$'000**	2013 $'000
– Within one year	**9,454**	9,506
– More than two years but not exceeding five years	**266,567**	129,121
	276,021	138,627

The loans from non-controlling shareholders of a subsidiary are denominated in RMB, unsecured and interest-free (2013: same).

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

	Group			
	Carrying amount		**Fair value**	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Secured bank borrowings	**855,345**	606,600	**855,345**	606,600
Loans from non-controlling shareholders of a subsidiary	**276,021**	138,627	**214,015**	107,863
	1,131,366	745,227	**1,069,360**	714,463

The fair values of floating rate borrowings approximate their carrying amounts. The fair values of fixed rate borrowings are based on cash flows discounted using a rate based on the borrowing rate of 8.00% (2013: 8.00%) and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

38. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the consolidated balance sheet are analysed as follows:

	2014 $'000	2013 $'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(4,778)**	(3,359)
– Deferred income tax assets to be recovered within 12 months	**(30,883)**	(28,069)
	(35,661)	(31,428)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**148,124**	105,126
Deferred income tax liabilities, net	**112,463**	73,698

The gross movements in the deferred income tax liabilities, net are as follows:

	2014 $'000	2013 $'000
At 1 January	**73,698**	44,489
Charged to the consolidated income statement (Note 9)	**40,220**	27,971
Currency translation differences	**(1,455)**	1,238
At 31 December	**112,463**	73,698

Deferred taxation for the year ended 31 December 2014 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 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 did not recognise deferred income tax assets of HK$144,172,000 (2013: HK$117,086,000) in respect of unrecognised tax losses of HK$873,768,000 as at 31 December 2014 (2013: HK$709,612,000) that can be carried forward against future taxable income. Approximately HK$866,863,000 (2013: HK$705,988,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2028.

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38. DEFERRED INCOME TAX (CONTINUED)

As at 31 December 2014, deferred income tax liabilities of HK$14,993,000 (2013: HK$8,470,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of HK$232,962,000 (2013: HK$169,409,000) of certain PRC subsidiaries. Since the Directors consider the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future, no withholding tax has been provided.

The movement in deferred tax income 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 assets		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**15,084**	12,307	**98,746**	70,864	**113,830**	83,171
Charged/(credited) to the consolidated income statement	**(5,119)**	2,777	**45,764**	26,050	**40,645**	28,827
Currency translation differences	**–**	–	**(1,599)**	1,832	**(1,599)**	1,832
At 31 December	**9,965**	15,084	**142,911**	98,746	**152,876**	113,830

Deferred income tax assets

	Tax losses		Provisions		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(9,934)**	(16,920)	**(30,198)**	(21,762)	**(40,132)**	(38,682)
(Credited)/charged to the consolidated income statement	**1,827**	6,986	**(2,252)**	(7,842)	**(425)**	(856)
Currency translation differences	**–**	–	**144**	(594)	**144**	(594)
At 31 December	**(8,107)**	(9,934)	**(32,306)**	(30,198)	**(40,413)**	(40,132)

39. LONG-TERM BANK DEPOSIT

As at 31 December 2014, a long-term US$ denominated bank deposit of approximately HK$283,006,000 (2013: Nil), which bears fixed interest at 2% per annum, is pledged to a bank to secure a US$ denominated long-term bank borrowing of approximately HK$254,643,000 (2013: Nil). This borrowing bears interest at LIBOR plus 0.7% per annum (Note 37(a)). The Group has entered into an interest rate swap contract with the same bank, with a notional principal of the same amount of the borrowing, to swap its floating rate obligation under the borrowing for a fixed rate obligation of 1.55% per annum. The maturity date of the borrowing is the same as the interest rate swap contract. The Group did not elect to apply hedge accounting for the interest rate swap contract. As at 31 December 2014, the fair value of the outstanding interest rate swap contract of HK$1,137,000 has been recorded as derivative financial instrument under non-current liabilities in the consolidated balance sheet (Note 40).

The fair value of long-term deposit approximates its carrying amount.

40. DERIVATIVE FINANCIAL INSTRUMENTS

	Asset		**Liability**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Preferred Shares – derivative component (Note 28)	**56,105**	–	**–**	–
Interest rate swap contract (Note 39)	**–**	–	**(1,137)**	–
Total	**56,105**	–	**(1,137)**	–
At 1 January	**–**	–	**–**	–
Addition	**17,167**	–	**–**	–
Fair value gain/(loss)	**38,938**	–	**(1,137)**	–
At 31 December	**56,105**	–	**(1,137)**	–

Notes to the Consolidated Financial Statements

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2014 $'000	2013 $'000
Profit before income tax	**1,161,782**	1,456,419
Amortisation of lease premium for land	**6,015**	5,914
Depreciation of property, plant and equipment	**205,716**	199,912
Amortisation of purchased programme and film rights and other charges	**20,920**	25,664
Amortisation of intangible assets	**1,479**	797
Share-based compensation expense	**75,371**	44,353
Provision for impairment of accounts receivable	**18,549**	15,837
Provision for impairment of other receivables	**–**	11,272
Reversal of provision for accounts receivable	**(4,534)**	–
Provision for impairment of available-for-sale asset	**962**	–
Provision for amounts due from joint ventures	**29,027**	25,413
Provision of impairment of amount due from an associate	**4,838**	4,913
Loss on disposal of property, plant and equipment	**768**	1,698
Gain on disposal of property, plant and equipment	**(71)**	(742)
Gain on disposal of subsidiaries	**(35,850)**	–
Share of profits less losses of joint ventures	**22,439**	(4,475)
Share of profits less losses of associates	**(1,213)**	(1,843)
Fair value gain on investment properties	**(175,777)**	(104,294)
Interest income	**(84,275)**	(58,073)
Interest expense	**20,976**	–
Investment income	**(4,225)**	(1,137)
Fair value gain on financial assets at fair value through profit or loss	**3,099**	(870)
Fair value gain on derivative financial instruments	**(37,801)**	–
Decrease/(increase) in other long-term assets	**5,014**	(8,174)
Decrease in other long-term liabilities	**(15,566)**	–
Impairment of property, plant and equipment	**145**	3,664
Increase in accounts receivable	**(149,992)**	(121,762)
Decrease/(increase) in prepayments, deposits and other receivables	**3,373**	(152,171)
Decrease/(increase) in inventories	**274**	(21)
Increase in amounts due from related companies	**(50,064)**	(24,003)
Decrease/(increase) in self-produced programmes	**2,746**	(13,012)
Increase in accounts payable, other payables and accruals	**306,149**	199,869
Decrease in deferred income	**(16,080)**	(50,855)
Decrease in amounts due to related companies	**–**	(1,124)
Cash generated from operations	**1,314,194**	1,453,169

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries

During the year ended 31 December 2014, the Group disposed three subsidiaries (the “Disposals”). Details of each disposal are as follows:

(i) IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. (collectively referred to as “IDG-Accel Funds”) acquired US$3,000,000 convertible preferred shares of Phoenix FM Limited (“Phoenix FM”), a former wholly owned subsidiary of PNM Group. Since the acquisition of Phoenix FM by IDG-Accel Funds, the unilateral control of Phoenix FM by PNM Group was lost and only joint control over Phoenix FM was retained despite the holding of 100% of Phoenix FM’s ordinary shares by PNM Group.

(ii) In June 2014, Shikong Chuangyi (Beijing) Technology Culture Development Co. Ltd and an individual investor were introduced by issuing additional ordinary shares of Shenzhenshi Fenghuang Jingcai Network Technology Co. Ltd (“Fenghuang Jingcai”), a former wholly owned subsidiary of PNM Group (the “New Share Issuance). PNM Group’s equity interest in Fenghuang Jingcai decreased from 100% to 45.06% as a result of the New Share Issuance.

(iii) In December 2014, PNM Group sold 1% of its equity interest in Beijing Fenghuang Tianbo Network Technology Co. Ltd. (“Fenghuang Tianbo”) to the other shareholders for a consideration of RMB0.2 million (“Share Transfer”). PNM Group’s interest in Fenghuang Tianbo decreased from 51% to 50% as a result of the Share Transfer. Since the Share Transfer, the unilateral control of Fenghuang Tianbo by PNM Group was lost and only joint control over Fenghuang Tianbo was retained.

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41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (Continued)

Summary regarding the Disposals completed during the year ended 31 December 2014 is as follows:

	2014 $'000
Total consideration satisfied by:	
Cash received	258
Fair value of non-controlling interests retained (Note 18)	45,852
	46,110
Net assets disposed of	(10,260)
Gain on disposal of subsidiaries recognised in profit and loss (Note 6)	35,850

Aggregate net cash outflows arising from the Disposals during the year ended 31 December 2014:

	2014 $'000
Cash consideration received	258
Bank balances and cash disposed of	(18,145)
	(17,887)

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42. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Deemed disposal of partial interest in PNM and acquisition of additional interest in PNM

During the year ended 31 December 2014, PNM had repurchased an aggregate of 4,021,073 American Depository Shares ("ADSs") (2013: 2,524,574 ADSs) at an aggregate cost of approximately US$39,247,000 (HK$305,049,000) (2013: US$11,700,000 (HK$90,955,000)), on the open market. Under its ADS repurchase program, PNM has been authorised to repurchase up to US$50,000,000 (approximately HK$388,000,000) of its outstanding ADSs for a period not exceeding twelve months since May 2014. PNM expects to continue to implement its share repurchase program in a manner consistent with marker conditions and the interest of its shareholders, subject to the restrictions relating to volume, price and timing under applicable law.

During the year ended 31 December 2014, as a result of the vesting of restricted shares and restricted share units, the exercise of share options by the option holders, the repurchase of ADSs and the issuance of restricted Class A ordinary shares in exchange for the interest in Particle Inc., an associate of the Group, the Group's equity interest in PNM was increased from 52.97% to 54.75%. The Group recognised a deemed net loss of approximately HK$101,718,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$157,735,000 for the year ended 31 December 2014.

During the year ended 31 December 2013, as a result of the vesting of restricted shares and restricted share units, the exercise of share options by the option holders and the repurchase of ADSs, the Group's equity interest in PNM was increased from 51.87% to 52.97%. The Group recognised a deemed net loss of approximately HK$31,141,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$50,470,000 for the year ended 31 December 2013.

(b) Deemed disposal of partial interest in Fenghuang Tianbo

During the year ended 31 December 2013, two investors subscribed for 49% equity interest in Fenghuang Tianbo, a subsidiary of PNM, by contributing capital of RMB10,000,000 (HK$12,726,000). The Group's effective equity interest in Fenghuang Tianbo was decreased from 52.97% to 27.01%. The Group recognised a deemed net gain of HK$3,109,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$9,617,000 for the year ended 31 December 2013.

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43. COMMITMENTS

(a) Service charges

As at 31 December 2014, the Group had committed service charges payable under various agreements as follows:

	2014 **$'000**	2013 $'000
Not later than one year	**23,610**	29,273
Later than one year and not later than five years	**87,254**	86,805
Later than five years	**4,006**	28,035
	114,870	144,113

(b) Operating leases

As at 31 December 2014, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2014 **$'000**	2013 $'000
Not later than one year	**269,279**	234,299
Later than one year and not later than five years	**590,312**	637,460
Later than five years	**132,403**	128,044
	991,994	999,803

(c) Capital commitments

As at 31 December 2014, the Group had capital commitments as follows:

	2014 **$'000**	2013 $'000
Authorised but not contracted for	**–**	39,482
Contracted but not provided for	**34,339**	141,343
	34,339	180,825

43. COMMITMENTS (CONTINUED)

(d) Other commitments

As at 31 December 2014, the Group had other operating commitments under various agreements as follows:

	2014 $'000	2013 $'000
Not later than one year	**186,150**	161,357
Later than one year and not later than five years	**52,585**	71,308
	238,735	232,665

44. 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)	**2014 $'000**	2013 $'000
Service charges paid/payable Satellite Television Asian Region Limited ("STARL")*	a, b	**–**	12,854
Commission for international subscription sales and marketing services paid/payable to STARL*	a, c	**–**	3,748
Licence fee paid/payable to NGC Network Asia, LLC ("NGC")*	d, e	**–**	476
Service charges paid/payable to FOX News Network, LLC ("Fox")*	d, f	**–**	500
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")*	g, h	**–**	1,006
Service charges received/receivable from China Mobile Communications Corporation and its subsidiaries (the "CMCC Group")	i, j	**218,250**	227,086
Service charges paid/payable to the CMCC Group	i, k	**52,233**	91,468
Advertising sales to the CMCC Group	i, l	**56,731**	69,729
Key management compensation	iii	**42,313**	36,103

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) (Continued)

* As these counterparties ceased to be related parties of the Group since 18 October 2013, transactions with these parties during the year ended 31 December 2014 were not related party transactions and consequently have not been disclosed above.

Notes:

(a) STARL is a wholly-owned subsidiary of Star Group Limited, which owns 100% of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd. ("Star Entertainment")). Star Entertainment has ceased to be a shareholder of the Company after Star Entertainment had entered into an agreement with TPG China Media L.P. pursuant to which Star Entertainment agreed to sell and TPG China Media L.P. agreed to purchase 607,000,000 shares held by Star Entertainment on 18 October 2013.

(b) Service charges paid/payable to STARL, a former related party, 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.

(c) The commission for international subscription sales and marketing services paid/payable to STARL, a former related party, is based on 15% (2013: 15%) of the subscription fees generated and received by it on behalf of the Group.

(d) Fox and NGC are associates of Star Entertainment, a former substantial shareholder of the Company.

(e) The license fees are charged in accordance with the agreements with NGC regarding right for contents.

(f) 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.

(g) BSkyB is 39.14% owned by Twenty – First Century Fox, Inc. (formerly known as News Corporation), which indirectly owns 100% of Star Entertainment, a former substantial shareholder of the Company.

(h) 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.

(i) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.67% of the issued share capital of the Company.

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

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) (Continued)

Notes: (Continued)

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

(ii) Year end balances arising from related party transactions as disclosed in Note 44(i) above were also disclosed in Note 26.

(iii) Key management compensation

	2014	2013
	$'000	$'000
Salaries	**21,081**	16,531
Discretionary bonuses	**9,141**	7,584
Housing allowance	**6,973**	6,629
Pension costs	**1,631**	1,525
Share-based compensation expense	**3,487**	3,834
	42,313	36,103

45. COMPARATIVE FIGURES

Certain of the 2013 comparative figures of segmental information and the statement of cash flows have been reclassified to conform to the current year's presentation.

46. SUBSEQUENT EVENT

Subsequent to the year end, PNM entered into an agreement with Particle Inc., an associate of the Group ("Share Subscription Agreement") to purchase a number of Series C redeemable preferred shares for a consideration of approximately US$30 million (approximately HK$232,608,000). In addition, PNM entered into another agreement with certain existing shareholders of Particle Inc. to acquire a number of Series C redeemable preferred shares for a consideration of approximately US$27.6 million (approximately HK$213,999,000) and the closing of this transaction is conditional upon the closing of the Share Subscription Agreement.

Financial Summary

(Unless otherwise specified, amounts expressed in Hong Kong dollars)

CONSOLIDATED RESULTS

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000	Year ended 31 December 2010 $'000
Revenue	**4,618,365**	4,806,458	4,336,360	3,639,445	2,565,390
Operating expenses	**(2,918,222)**	(2,849,913)	(2,589,236)	(2,273,489)	(1,527,189)
Selling, general and administrative expenses	**(798,362)**	(695,029)	(649,063)	(453,607)	(315,245)
Other gains/(losses) and share of results of joint ventures and associates	**260,001**	194,903	97,280	(756,352)	(170,042)
Profit before income tax and non-controlling interests	**1,161,782**	1,456,419	1,195,341	155,997	552,914
Income tax expense	**(251,322)**	(293,391)	(248,056)	(229,460)	(108,490)
Profit/(loss) before non-controlling interests	**910,460**	1,163,028	947,285	(73,463)	444,424
Non-controlling interests	**(246,750)**	(230,634)	(113,918)	6,578	(22,602)
Profit/(loss) attributable to owners of the Company	**663,710**	932,394	833,367	(66,885)	421,822

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Total assets	**9,540,824**	8,408,098	7,201,688	6,188,929	3,825,883
Total liabilities	**(2,570,074)**	(1,869,557)	(1,576,472)	(1,305,946)	(1,368,592)
Non-controlling interests	**(1,723,634)**	(1,591,384)	(1,390,074)	(1,317,514)	(250,213)
Equity attributable to owners of the Company	**5,247,116**	4,947,157	4,235,142	3,565,469	2,207,078