

# Report of Directors

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The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

## Business Review

A review of the Group's business is set out on pages 7 to 9 of this report titled "Business Overview and Prospects" (the "Business Overview"). The Board are satisfied that the Business Overview together with the financial and non-financial information contained in this section is a fair description of the Group's business and the external environment in which the Group operates, consistent with the scope of the consolidated financial statements and dealing even-handedly with both the favourable and adverse factors. To summarise the Business Overview, the objectives, strategy and business model of the Group is to emphasise its two main areas of business, namely television broadcasting and the internet business based on ifeng.com. In the face of the continuing financial pressures generated by the decline in China's economic growth rate, the Company has sought to introduce policies that would reduce the operational expenditure and thus ensure that the Company remains profitable. This approach has led the Company to integrate a number of program production departments into a single management system that reports directly to the top channel management. This approach reduces the number of employees required by the Company and also reduces the cost of programming and broadcasting. Thus, while the Group will maintain its traditional business model, and will continue to generate new programs, it will attach a high priority to refining the Company's structure so that it can reduce the financial demands of the Group's major business activities.

The strength in the Group's brand and reputation together with quality intellectual property rights are the principal drivers of the Group's performance.

The "Comments on Segmental Information" set out on pages 25 to 26 and "Liquidity and Financial Resources" set out on page 28 of this report provided analysis of the amounts of revenue, result of business segments and gearing ratio of the Group. The operating margin of the Group, based on the profit from operations to revenue, was 7.5% as at 31 December 2015 (as at 31 December 2014: 19.5%). The current ratio of the Group, based on current assets to current liabilities, was 3.0 as at 31 December 2015 (as at 31 December 2014: 3.0). The Group's earnings before interest expenses, taxes, depreciation, and amortization (EBITDA) was HK\$619,413,000 as at 31 December 2015 (as at 31 December 2014: HK\$1,414,985,000).

The "Chinese Gateway" set out on pages 22 to 23 of this report also provided the audience satisfaction information of the television broadcasting business.

According to iResearch, in December 2015, the online daily unique visitors and monthly unique visitors of the new media business was 43.9 million and 291.1 million respectively and PNM have ranked third among all portals in China in terms of daily unique visitors. According to PNM internal data, the aggregated mobile daily unique visitors from mobile website i.ifeng.com and mobile applications reached 33.0 million in December 2015. PNM's v.ifeng.com vertical which offers video products and services, according to iResearch, the site received 55.6 million average daily page views and 12.7 million average daily unique visitors in December 2015. According to PNM internal data, v.ifeng.com site received 49.7 million average daily video views in December 2015.



## Business Review (Continued)

There are a number of principal risks and uncertainties facing the Group as follows, among other things: (i) the PRC regulatory restrictions on the reception and rebroadcasting of foreign satellite television programmes; (ii) the PRC regulatory restrictions on content of television programmes; and (iii) the PRC regulatory prohibition against the variable interest entity structure in China through which Phoenix New Media Limited (“PNM”) operates the internet business of the Group in China. Please refer to pages 87 of this report for the section about description of and the major risks associated with the variable interest entity contractual arrangements of PNM and its subsidiaries (collectively, the “PNM Group”).

The Board closely monitors the above risks and uncertainties considering any adverse change of these risks and uncertainties that would have a material negative effect on the Group’s business, financial condition and results of operations. The Group’s business performance and business risks arising from the serious economic challenges caused by the downward movement in China economy as well as the changing China advertising market conditions and the emergence of the internet-based media technologies are discussed in the section of Business Overview on pages 7 to 9 of this report. Besides, the Group’s day-to-day activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group’s financial risk management and controls are set out in Note 3 to the consolidated financial statements on pages 122 to 135 of this report. The above is not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern. Discussion of the Group’s system of risk management and internal controls is contained in the Corporate Governance Report on page 47 of this report.

Particulars of the major suppliers and customers of the Group are set out on page 80 of this report. Whereas, key performance indicators in relation to the audience satisfaction are set out on page 23 of this report.

Details of the Group’s relationship with its staff are set out on page 29 of this report.

In respect of corporate social responsibility, the Group strongly believes that a successful enterprise should be able to gain recognition and respect of the whole community by contributing to the environment, which is the value that the Group has been adhering to. It is the Group’s environmental policy to raise public awareness on environmental protection by capitalizing its media strengths in producing relevant television programmes and cooperating with international nature conservation or sustainability conscious organizations. In 2015, Phoenix TV produced and broadcasted a television programme series called “Earth Report”, which deals with natural ecology and the sustainable development of society. The Group also worked with The United Nations Educational, Scientific and Cultural Organization extensively in areas including sustainable development of humanity, ecological environmental protection, etc., with an aim of fulfilling social responsibilities on a worldwide level. Internally the Group cultivates a corporate culture of environmental awareness by implementing a series of environmental protection measures at the Phoenix Center in Hong Kong, the Group’s headquarters, such as air conditioning and lighting system reengineering for higher energy efficiency, waste separation for recycling incentives, and the provision of electric vehicle charging devices in the car park to support low-carbon emission. Detailed discussions on the Group’s environmental policies, community involvement, workplace quality and other social responsibility activities are contained in the Corporate Social Responsibility Report on pages 50 to 54 of this report.



### **Business Review (Continued)**

In addition to the compliance with the Listing Rules and the Code, the Company is committed to duly observe the Securities and Futures Ordinance (Cap.571) and the Codes on Takeovers and Mergers and Share Buy-backs published by Securities and Futures Commission. The Group has complied with the Broadcasting Ordinance (Cap.562), the Broadcasting (Miscellaneous Provisions) Ordinance (Cap. 391) and the related subsidiary legislation. The Group has also observed the terms of the Non-Domestic Television Programme Service License granted to Phoenix HK and the relevant sections of the Codes of Practice from time to time issued by the Communication Authority. Since the enactment of the Competition Ordinance (Cap. 619), the Group was mindful not to contravene the first conduct rule of the Competition Ordinance while continuously assessing its market power under the second conduct rule of the Competition Ordinance.

Particulars of important events affecting the Group that have occurred since the end of the financial period are set out on Note 47 to the consolidated financial statements.

### **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 19 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 91.

The Board recommends the payment of a final dividend of 1 Hong Kong cent per ordinary Share, totalling approximately HK\$50,010,000 to be payable to Shareholders whose names appear on the register of members of the Company on 15 June 2016, Wednesday. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on or around 30 June 2016, Thursday.

### **Closure of Register of Members**

The register of members of the Company will be closed from 2 June 2016, Thursday to 6 June 2016, Monday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming 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 1 June 2016, Wednesday.

The register of members of the Company will also be closed from 13 June 2016, Monday to 15 June 2016, Wednesday (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 forthcoming 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 2016, Friday.

## Report of Directors



### 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 44 to the consolidated financial statements.

### Donations

Charitable donations made by the Group during the year amounted to HK\$1,955,000 (2014: HK\$3,995,000).

### Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 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 15 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 32 and Note 33, 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 2015, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$1,059,369,000 (2014: HK\$252,239,000).

### 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.

### Equity-linked Agreements

Details of the share options granted in prior years and current year of the Group are set out in Note 33 of the consolidated financial statements and "Share Option Schemes" section contained in this 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 Group, 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 9.86% 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:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in an option which is vested and exercisable</b>
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\$1.00 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:

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 31 December 2015
					Balance as at 1 January 2015	Lapsed during the year	Exercised during the year	
14 employees	2007.03.26	2007.03.26 to 2011.03.25	2008.03.26 to 2017.03.25	1.45	4,756,000	–	(306,000)	4,450,000

During the year ended 31 December 2015, 306,000 options granted to employees of the Group were exercised. At the date before the options were exercised, the weighted average market price was HK\$2.97.

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

During the year ended 31 December 2015, 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 ("New Share Option Scheme Committee").

##### *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 Shares 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:

<b>Date of exercise of an option</b>	<b>Percentage of Shares comprised in an option which is vested and exercisable</b>
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%



## Share Option Schemes (Continued)

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

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

##### *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\$1.00 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.

##### *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.



## 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 (Continued)*

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 31 December 2015
					Balance as at 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	
3 employees	2009.07.22	2009.07.22 to 2013.07.21	2010.07.22 to 2019.07.21	1.17	1,772,000	-	-	(1,522,000)	250,000
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
478 employees	2011.03.09	2011.03.09 to 2015.03.08	2012.03.09 to 2021.03.08	2.92	85,360,000	-	(2,046,000)	(1,470,000)	81,844,000
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:					102,622,000	-	(2,046,000)	(2,992,000)	97,584,000

During the year ended 31 December 2015, 2,046,000 options granted to 30 employees were lapsed when they ceased their employment with the Group.

During the year ended 31 December 2015, 2,992,000 options were exercised. At the date before the options were exercised, the weighted average market price was HK\$3.02. 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.



## 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 the Listing Rules and for so long as PNM remains a subsidiary of the Company, 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 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.



## 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 2015, 8,020,000 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 all with an exercise price of US\$0.91550 per share.

During the year ended 31 December 2015, 1,055,925 options granted to 22 employees were exercised at US\$0.03215 per share.

During the year ended 31 December 2015, 2,394,652 options granted to 30 employees were exercised at US\$0.44593 per share.

During the year ended 31 December 2015, 339,687 options granted to 3 employees were exercised at US\$0.82490 per share.

The weighted average market price of the options exercised during the year ended 31 December 2015 was US\$0.77 per share.

During the year ended 31 December 2015, 8,379,213 options granted to 42 employees lapsed and cancelled. Details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

Type of remaining grantees	Date of grant	Exercise period	Exercise price per PNM share (US\$)	Number of share options				Balance as at 31 December 2015
				Balance as at 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	
Employees	2008.07.04	2008.07.04-2018.05.25	0.03215	3,399,852	-	-	(610,175)	2,789,677
	2008.07.04	2008.07.09-2018.05.25	0.03215	6,000	-	-	-	6,000
	2008.07.04	2008.08.28-2018.05.25	0.03215	3,375	-	-	-	3,375
	2008.07.04	2008.09.17-2018.05.25	0.03215	16,500	-	-	-	16,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,500	-	-	-	4,500
	2008.07.04	2008.10.10-2018.05.25	0.03215	4,000	-	-	-	4,000

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## 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 31 December 2015
				Balance as at 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	
	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	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	11,500	-	-	-	11,500
	2008.07.04	2009.03.17-2018.05.25	0.03215	2,475	-	-	-	2,475
	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	2009.05.12-2018.05.25	0.03215	3,000	-	-	-	3,000
	2008.07.04	2009.05.19-2018.05.25	0.03215	10,688	-	-	-	10,688
	2008.07.04	2009.05.26-2018.05.25	0.03215	96,587	-	-	(28,500)	68,087
	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	2010.02.16-2018.05.25	0.03215	100,000	-	-	-	100,000



## 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 31 December 2015
				Balance as at 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	
	2009.07.31	2010.04.27-2018.05.25	0.03215	5,250	-	-	-	5,250
	2009.07.31	2010.05.18-2018.05.25	0.03215	96,001	-	-	-	96,001
	2009.07.31	2010.07.10-2018.05.25	0.03215	61,600	-	-	-	61,600
	2009.09.15	2010.09.15-2018.05.25	0.03215	887,500	-	(1,200)	(88,000)	798,300
	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	220,000	-	-	-	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	460,000	-	-	(244,000)	216,000
	2013.03.15	2014.03.15-2023.03.14	0.44593	12,795,992	-	(2,157,500)	(2,394,652)	8,243,840
	2013.05.23	2014.05.23-2023.05.22	0.46565	2,900,000	-	-	-	2,900,000
	2013.10.01	2014.10.01-2023.09.30	0.78670	150,000	-	(93,750)	-	56,250
	2013.10.08	2014.10.08-2023.10.07	0.82490	5,769,500	-	(597,813)	(339,687)	4,832,000
	2013.12.10	2014.12.10-2023.12.09	1.08443	1,900,000	-	-	-	1,900,000
	2014.03.14	2015.03.14-2024.03.13	1.31000	980,000	-	(980,000)	-	-
	2014.06.04	2015.06.04-2024.06.03	1.27490	1,014,807	-	(75,000)	-	939,807
	2014.06.05	2015.06.05-2024.06.04	1.27490	800,000	-	(250,000)	-	550,000
	2014.07.11	2015.07.11-2024.07.10	1.30350	16,781,000	-	(3,863,500)	-	12,917,500
	2014.10.11	2015.10.11-2024.10.10	0.82490	161,951	-	-	-	161,951
	2015.07.16	2016.07.16-2025.07.15	0.91550	-	8,020,000	(360,000)	-	7,660,000
Total:				50,267,007	8,020,000	(8,379,213)	(3,790,264)	46,117,530





## 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 ("RSU") or restricted shares ("RS") to the executives, employees or directors of PNM or its affiliates, provided that the number of RSU or RS 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 RS and 10,050,958 RSU under the PNM March 2011 Scheme to its employees.

The particulars and movement of the RSU granted under the PNM March 2011 Scheme during the year are as follows:

Type of remaining grantees	Date of grant	Vesting commence date	Number of RSU				Balance as at 31 December 2015
			Balance as at 1 January 2015	Granted during the year	Lapsed during the year	Vested during the year	
Employees	2011.03.17	2011.01.11	12,500	-	-	(12,500)	-
	2011.03.17	2011.02.14	7,500	-	-	(7,500)	-
	2011.03.17	2011.02.21	1,250	-	-	(1,250)	-
	2011.03.17	2011.03.01	11,250	-	-	(11,250)	-
Total:			32,500	-	-	(32,500)	-

All RS granted under the PNM March 2011 Scheme had been fully vested in 2014, thus there are no RS movements during the year.

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



## 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. CHUI Keung, Mr. LEUNG Hok Lim and Mr. FANG Fenglei shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Mr. LEUNG Hok Lim 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 Mr. LEUNG 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 Mr. LEUNG'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 and 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:

#### **Thaddeus Thomas BECZAK**

##### **New appointment**

China Minsheng Financial Holding Corporation Limited\* – independent non-executive director

\* The 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 1 July 2015, Mr. LIU Changle and Mr. CHUI Keung, the executive Directors, each entered into a service contract with the Company for a term of three years commencing from 1 July 2015 subject to termination by either party giving to the other not less than three months' written notice. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation.

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' Permitted Indemnity Provision**

As permitted by the Company's Articles of Association, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such indemnity do not extend to any matter in respect of any fraud or dishonesty by such Director. Such provision has been in force for the benefit of the Directors throughout the year and up to the date of this report.

The Company have taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover to the Directors.



### Directors' and Chief Executives' Interests in Securities

As at 31 December 2015, 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 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

Name	Number of ordinary shares held			Position	Approximate shareholding percentage as at 31 December 2015
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 2)	2,688,000	1,854,000,000	1,856,688,000	Long	37.13%
LO Ka Shui (Note 3)	6,244,000	—	6,244,000	Long	0.12%

Notes:

- As at 31 December 2015, the number of the issued Shares of the Company was 5,000,993,500.
- As at 31 December 2015, 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 37.07% of the issued share capital of the Company.
- As at 31 December 2015, Dr. LO Ka Shui was the beneficial owner of 1,536,000 Shares while 4,708,000 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			Position	Approximate shareholding percentage as at 31 December 2015
	Personal/ other interest	Corporate interest	Total interest		
LIU Changle (Note 3)	–	1,483,200	1,483,200	Long	0.58%
LO Ka Shui	727,800	–	727,800	Long	0.28%

##### Notes:

- As at 31 December 2015, the number of the issued Class A ordinary PNM Shares was 256,335,266.
- PNM is a non-wholly owned subsidiary of the Company.
- As at 31 December 2015, 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 0.58% of the issued class A ordinary of PNM Shares.



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

#### (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 2015
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 2015, 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.



## 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 administer the share option schemes may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for Shares. The maximum number of Shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. However, the share option scheme approved by the Shareholders on 7 June 2000 has no remaining life and no further options can be granted under the scheme.

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 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 2015, 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

<b>Name of substantial Shareholders</b>	<b>Number of Shares</b>	<b>Approximate shareholding percentage as at 31 December 2015</b>
Today's Asia Limited (Note 2)	1,854,000,000	37.07%
Extra Step Investments Limited (Note 3)	983,000,000	19.66%
TPG China Media, L.P. (Note 4)	607,000,000	12.14%



## 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 2015, the number of issued Shares of the Company was 5,000,993,500.
2. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to 93.30% and 6.70% respectively.
3. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited ("CMHKG") which in turn is a subsidiary of China Mobile Communications 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 of the Company, 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 of the Company, 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 respectively, are both managing director and partner of TPG.





## 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 2015
China Wise International Limited (Note 2)	412,000,000	8.24%

Notes:

- As at 31 December 2015, the number of issued Shares of the Company was 5,000,993,500.
- 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 2015, 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.

## Report of Directors



### 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:

	<b>Year 2015</b>	Year 2014
Programme purchases		
– the largest supplier	<b>10%</b>	9%
– five largest suppliers	<b>41%</b>	33%
Sales		
– the largest advertising end-customer	<b>2%</b>	2%
– five largest advertising end-customers	<b>7%</b>	6%

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.



## Connected Transactions and Continuing Connected Transactions

Certain related party transactions (as defined in HKAS 24—Related Party Disclosures) entered into by the Group during the year ended 31 December 2015, which also constituted connected transactions or continuing connected transactions under the Listing Rules, are disclosed in Note 42 to the consolidated financial statements. The following transactions between certain connected persons (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.

### *Continuing Connected Transactions*

1. On 25 October 2012, the Stock Exchange granted to the Company a waiver from strict compliance with the requirement under Rule 14A.35(1) of the then Listing Rules to enter into a framework agreement with the CMCC Group at the outset covering all of the expected New Media CCT in relation to provision of website portal, value-added telecommunications, promotional and ancillary services by and to PNM Group to and by CMCC Group 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 approved and confirmed the New Media CCT for the three years from 1 January 2013 to 31 December 2015 and the relevant annual caps of RMB552,260,472, RMB622,489,019 and RMB729,455,470 for each of the three years ending 31 December 2013, 2014 and 2015 respectively at the EGM 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 2015 amounted to approximately RMB161,750,000 (HK\$199,842,000) and RMB46,557,000 (HK\$57,521,000) respectively, whereas, for the year ended 31 December 2014, approximately RMB173,104,000 (HK\$218,250,000) and RMB41,428,000 (HK\$52,233,000) respectively.



## Connected Transactions and Continuing Connected Transactions (Continued)

### *Continuing Connected Transactions (Continued)*

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 19.66% 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. For details, please refer to the Company’s announcements dated 26 October 2012 and 5 December 2012, respectively and the circular dated 9 November 2012.

2. (a) On 18 August 2014, 鳳凰都市傳媒科技股份有限公司 (Phoenix Metropolis Media Technology Company Limited, formerly known as 鳳凰都市 (北京) 廣告傳播有限公司 (Phoenix Metropolis Media (Beijing) Company Limited)) (“PMM Beijing”) entered into an outdoor advertising contract (“2014 PRC Outdoor Advertising Contract”) with 中國移動通信有限公司 (China Mobile Communication Company Limited) (“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 for promoting the CMCC Group.
- (b) On 9 October 2014, PMM Beijing entered into another outdoor advertising contract (“2014 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 for promoting the customised mobile phone devices business of the CMCC Group.
- (c) On 20 July 2015, PMM Beijing entered into another outdoor advertising contract (“2015 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 20 July 2015 to 31 March 2016 for the maximum contract sum of RMB15,180,000 for promoting the CMCC Group.
- (d) On 20 July 2015, PMM Beijing also entered into another outdoor advertising contract (“2015 CMGD Outdoor Advertising Contract”) with CMGD 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 20 July 2015 to 31 March 2016 for a maximum contract sum of no more than RMB7,360,000 for promoting the customised mobile phone devices business of the CMCC Group.



## Connected Transactions and Continuing Connected Transactions (Continued)

### *Continuing Connected Transactions (Continued)*

For the year ended 31 December 2015, the advertising sales between PMM Beijing and the CMCC Group amounted to approximately HK\$23,060,000 (2014: HK\$11,817,000).

Since the CMCC Group are connected persons of the Company, the transactions under the 2014 PRC Outdoor Advertising Contract, 2014 CMGD Outdoor Advertising Contract, 2015 PRC Outdoor Advertising Contract and 2015 CMGD Outdoor Advertising Contract respectively constituted continuing connected transactions of the Company under the Listing Rules. For details, please refer to the Company's announcements dated 18 August 2014, 9 October 2014 and 20 July 2015, respectively.

3. On 20 July 2015, Phoenix HK, through its PRC advertising agent, Shenzhou entered into an advertising contract (the "2015 Phoenix HK Contract") with CNHK Media relating to the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel respectively for the period from 20 July 2015 to 31 December 2015 for the maximum contract sum of RMB20,000,000 for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CNHK Media has entered into a contract with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the benefit and on behalf of the CMCC Group. As such, CNHK Media has entered into the 2015 Contract for the ultimate benefits of the CMCC Group.

For the year ended 31 December 2015, the advertising sales from CNHK Media amounted to approximately RMB16,174,000 (HK\$19,785,000).

Since the CMCC Group are connected persons of the Company, the transactions under the 2015 Phoenix HK Contract constituted continuing connected transactions for the Company under the Listing Rules. For details, please refer to the Company's announcement dated 20 July 2015.

4. On 4 December 2015, 北京天盈九州網絡技術有限公司 (Beijing Tianying Jiuzhou Network Technology Co. Ltd., "Beijing Tianying"), a non wholly-owned subsidiary of the Company, entered into a framework agreement with 北京鳳凰理理它信息技術有限公司 (Beijing Phoenix Li Li Ta Information Technology Co, Ltd.) ("LLT") (the "Framework Agreement"), pursuant to which LLT agreed to place, and Beijing Tianying agreed to launch, internet advertisements provided by LLT from time to time on (i) the websites operated by Beijing Tianying, including www.ifeng.com and wap.ifeng.com and (ii) the mobile apps operated by Beijing Tianying, including but not limited to ifeng news and v.ifeng.com, etc. with annual caps of HK\$17,500,000, HK\$38,000,000 and HK\$57,000,000 for each of the years ending 31 December 2015, 2016 and 2017.

For the year ended 31 December 2015, the aggregate transaction amount received/receivable from LLT was approximately RMB14,414,000 (HK\$17,465,000).

As Mr. He Xin, the controlling shareholder of LLT, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and the Chief Executive Officer of the Company, LLT is therefore a connected person of the Company under the Listing Rules and accordingly the transaction under Framework Agreement constituted a continuing connected transaction for the Company under the Listing Rules. For details, please refer to the Company's announcement dated 4 December 2015.



## Connected Transactions and Continuing Connected Transactions (Continued)

### *Connected Transactions*

5. On 20 March 2015, Phoenix HK, through Shenzhou, entered into an advertising & sponsorship contract (the "Advertising & Sponsorship Contract") with LLT for the period from 30 March 2015 to 31 December 2015 (the "Sponsorship Period") to sponsor the television programme 《世界因你而美麗－影響世界華人盛典》. During the Sponsorship Period, LLT can place advertisements via Phoenix Chinese Channel, Phoenix InfoNews Channel and the on-the-ground advertisements for the said programme. The sponsorship amount is RMB6,550,000.

As Mr. He Xin, the controlling shareholder of LLT, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and the Chief Executive Officer of the Company, LLT is therefore a connected person of the Company under the Listing Rules and accordingly the transaction under the Advertising & Sponsorship Contract constituted a connected transaction for the Company under the Listing Rules. For details, please refer to the Company's announcement dated 20 March 2015.

6. On 19 August 2015, Phoenix Pictures Limited, a wholly-owned subsidiary of the Company ("Phoenix Pictures"), entered into (i) an equity transfer agreement ("Equity Transfer Agreement") with Mr. GU Deyu, Mr. TIAN Guoping, Mr. ZHAO Zhiqiang and 北京中視天地文化開發有限責任公司 (Beijing Chinese Television Tiandi Cultural Development Co. Ltd, ("Zhongshi") (collectively known as the "Vendors"), pursuant to which the Vendors conditionally agreed to sell and Phoenix Pictures conditionally agreed to purchase an additional 20% of equity interest in 鳳凰東方(北京)置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited) ("Phoenix Oriental") for a cash consideration of RMB145,734,660 (the "Acquisition") and (ii) a shareholders' loan agreement (the "Loan Agreement") with Phoenix Oriental in relation to advance of a shareholders' loan in the amount of RMB99,665,340 to Phoenix Oriental, which shall be used by Phoenix Oriental solely for the purposes of repaying, on a pro-rata basis, the shareholders' loans which had previously been advanced to Phoenix Oriental by the Vendors. Following completion of the Acquisition on 23 December 2015, Phoenix Pictures owned 70% equity interest in Phoenix Oriental.

As one of the Vendors, Zhongshi, has more than 10% equity interests in the Phoenix Oriental, Zhongshi is a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company at the subsidiary level, and the aforesaid transactions under the Equity Transfer Agreement and the Loan Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 19 August 2015 and Note 40(b) to the consolidated financial statements.



### **Connected Transactions and 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 better, on an arm's length basis or 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 the Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 81 to 84 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.

### **Related Party Transactions**

Details of the related party transactions as defined in HKAS 24 – Related Party Disclosures are set out in Note 42 to the consolidated financial statements. Unless otherwise stated in the Connected Transactions and Continuing Connected Transactions section on pages 81 to 85 of this report, none of the related party transactions falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## 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. The Group does not have equity interests in Beijing 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 Beijing 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, Beijing Tianying is owned as to 51% by Mr. QIAO Haiyan and 49% by Mr. GAO Ximin respectively, and the permitted business items of Beijing Tianying includes: internet information services (excluding information on news, publishing, education, medical health, medicine, medical devices); internet advertising via www.ifeng.com; information services of category II value-added telecommunications services (excluding fixed line telephone information services and internet information services); production and publishing of animation, television entertainment, feature; distribution of published books and journals via internet (including mobile network), publishing of internet game and mobile game; performance agency; retail of books, newspaper, journals, electronic publications and audiovisual products. Whereas the general business items of Beijing Tianying includes: technology development, technology consulting; design, production, agent, publishing of advertisement; organizing cultural exchange activities; organizing exhibitions; enterprise planning; economy and trade consulting; lease of computer and communications equipment (excluding those items without the administrative licensing).

The Group has consolidated the financial results of Beijing Tianying and its subsidiaries in its consolidated financial statements in accordance with HKFRS. In 2015, Beijing Tianying and its subsidiaries accounted for 40% of the total revenues and 14.63% of the total assets of the Group.

The Group has evaluated the relationship among PNM, Fenghuang On-line and Beijing 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 Beijing Tianying, to direct all significant activities of Beijing Tianying, which include but not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact Beijing Tianying's economic performance. Pursuant to the Exclusive Technical licensing and service agreements and other agreements, PNM has the right to receive benefits of Beijing Tianying in the form of technical service fees, which could potentially be significant to Beijing Tianying's net income. In addition, PNM has the right to receive all the residual assets of Beijing 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 Beijing Tianying and therefore includes Beijing Tianying's assets, liabilities and operating results in its consolidated financial statements. With the contractual agreements with Beijing Tianying, the Group has the power to direct the activities of Beijing Tianying, and can freely have assets transferred out of Beijing 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.





### **Contractual Arrangements of PNM Group (Continued)**

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 Beijing 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 Beijing 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 2014 Annual Report of PNM disclosed on its website ([ir.ifeng.com](http://ir.ifeng.com)).

4. The Group also noted on 19 January 2015, the Ministry of Commerce of the PRC (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 is not aware of any progress of legislation of the Draft FIE law but will continuously closely monitor any progress.

### **Competing Business**

As at the date 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.

### **Advances to an Entity**

Details of the relevant advances to an entity from the Group are set out in Note 23 to the consolidated financial statements.

### **Corporate Governance**

A report on the principal corporate governance practices adopted by the Company is set out on pages 37 to 49 of this report.

## Report of Directors



### 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 2015 and provided advice and comments thereon.

### Auditor

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

On behalf of the Board

### **LIU Changle**

*Chairman*

Hong Kong, 17 March 2016