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 People's Republic of China ("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")

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 on 17 March 2016.

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 all applicable 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 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 2015.

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
HKFRSs Amendment 2012	Annual Improvements 2010-2012 Cycle
HKFRSs Amendment 2013	Annual Improvements 2011-2013 Cycle

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.

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

The following new standards and amendments to standards that have been issued but are not effective for the financial year ended 31 December 2015 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments (3)
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendment	Investment Entities: Applying the Consolidation Exception (1)
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an investor and its Associate or Joint Venture (5)
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations (1)
HKFRS 14	Regulatory Deferral Accounts (1)
HKFRS 15	Revenue from Contracts with Customers (3)
HKFRS 16	Leases (4)
HKAS 1 Amendment	Disclosure Initiative (1)
HKAS 7 Amendments	Disclosure Initiative (2)
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses (2)
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation (1)
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants (1)
HKAS 27 Amendment	Equity Method in Separate Financial Statements (1)
HKFRSs Amendment 2014	Annual Improvements 2012-2014 Cycle (1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(1) Effective for the Group for annual period beginning on 1 January 2016
(2) Effective for the Group for annual period beginning on 1 January 2017
(3) Effective for the Group for annual period beginning on 1 January 2018
(4) Effective for the Group for annual period beginning on 1 January 2019
(5) Effective date to be determined

The Group will apply the above new standards and amendments to standards from 1 January 2016 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.

(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.

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. 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.

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

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

Changes in the fair value of 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.

(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation (Continued)

(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.

(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% – 33.3%
Motor vehicles	20% – 25%
LED panels	10% – 11.1%
Aircraft	7.1%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (Continued)

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 (losses)/gains, net", in the consolidated income statement.

(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 (losses)/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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (Continued)

(ii) Licenses

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

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

(iii) Contractual customer relationships

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

(iv) Club debentures

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

(v) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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.

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 license period of 12 months or less and film rights with economic lives of 12 months or less are classified as current assets.

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

Changes in the fair value of 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.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of "Interest income". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(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.

(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.

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 (Continued)

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 contracts, currency swap contract and embedded derivative in certain convertible redeemable preferred shares held by the Group (Note 43). 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 and promotion service revenue received in advance from third party customers.

(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.

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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

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.

(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.

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)

(iii) Subscription revenue

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

(iv) Magazine advertising revenue

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

(v) Magazine subscription/circulation revenue

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

(vi) 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.

(vii) 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.

(viii) 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.

(ix) Tuition revenue

Tuition revenue for educational programs and services is recognised when the services are rendered.

(x) Consultancy and advisory fees

Consultancy and advisory fees are recognised when the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements

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

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.

(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% (2014: 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$56,179,000 (2014: HK$79,876,000) higher or lower.

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 26.

(c) PRC regulations

The Group is exposed to certain macroeconomic and regulatory risks and uncertainties in the Chinese market. These uncertainties affect the ability of the Group to provide online advertising, mobile and Internet related services, and educational programs and services through contractual arrangements in the PRC since these industries remain highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax law, the status of properties leased for the Group's operations and 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 23) 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 38).

(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 2015, 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$30,547,000 (2014: HK$19,028,000) higher or lower.

At 31 December 2015, 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$12,141,000 (2014: HK$8,553,000) 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$689,159,000 (2014: HK$620,303,000) representing approximately 7% (2014: 7%) of the total assets of the Group as of 31 December 2015. 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 21 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.

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.

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

The table below analyses the Group's 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.

	Within one year $'000	More than one year but not exceeding two years $'000	More than two years but not exceeding five years $'000	More than five years $'000
Group				
At 31 December 2015				
Accounts payable, other payables and accruals	**1,162,106**	**–**	**–**	**–**
Secured bank borrowings	**472,839**	**267,569**	**260,965**	**458,602**
Loans from non-controlling shareholders of subsidiaries	**45,487**	**98,632**	**78,157**	**–**
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	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 December 2015. See Note 15 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	**18,896**	**–**	**–**	**18,896**
Available-for-sale financial assets				
– Convertible redeemable preferred shares – debt component	**–**	**–**	**390,200**	**390,200**
– Equity securities	**–**	**–**	**1,212**	**1,212**
Derivative financial instrument				
– Convertible redeemable preferred shares – derivative component	**–**	**–**	**216,742**	**216,742**
	18,896	**–**	**608,154**	**627,050**
Liability				
Derivative financial instruments				
– Interest rate swap contracts	**–**	**(2,194)**	**–**	**(2,194)**
– Currency swap contract	**–**	**(1,034)**	**–**	**(1,034)**
	–	**(3,228)**	**–**	**(3,228)**

The following table presents the Group's financial assets that are measured at fair value at 31 December 2014.

	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 asset				
– 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
Liability				
Derivative financial instrument				
– Interest rate swap contracts	–	(1,137)	–	(1,137)

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Same).

(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 2015, instruments included in level 1 comprise shares of HSBC Holdings PLC ("HSBC"), an entity listed on the Stock Exchange, of approximately HK$18,896,000 (2014: HK$22,590,000) (Note 26).

(ii) Financial instrument in level 2

The fair values of interest rate swap contracts and currency swap contract are determined by valuation techniques that use observable inputs such as interest rates, yield curves and foreign currency rates that are observable at commonly quoted intervals.

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 2015 ($'000)	Valuation technique(s)	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Convertible redeemable preferred shares	606,942	Discounted cash flow method	Discount rate	25.5%	The lower the discount rate, the higher the fair value
			Lack of marketability discount ("DLOM")	26%	The lower the DLOM, the higher the fair value
			Volatility	50.3%	The lower the volatility, the higher the fair value
Convertible redeemable preferred shares – debt component	390,200	Discounted cash flow method with discounting the principal repayment at a risky discount rate	Discount rate – debt component	24.5%	The lower the discount rate – debt, component, the higher the fair value
Convertible redeemable preferred shares – derivative component	216,742	Difference between fair value of convertible redeemable preferred shares and fair value of its debt component	N/A	N/A	N/A

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)

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
			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 convertible redeemable preferred shares represent investments in Series B convertible redeemable preferred shares and Series C convertible redeemable preferred shares (as at 31 December 2014: Series B convertible redeemable preferred shares) of Particle Inc. by the Group (the "Preferred Shares") (see Note 43 for details).

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 2015 and 31 December 2014 was determined using discounted cash flow method. The fair values of the Preferred Shares were 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 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 2015. 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.

	Debt component	Derivative component			Total
		Gross	Deferred day one gain	Net	
	$'000 *(Note 27)*	$'000	$'000	$'000 *(Note 38)*	$'000
Opening balance on 1 January 2015	32,770	64,817	(8,712)	56,105	88,875
Purchase of Preferred Shares	291,426	205,563	–	205,563	496,989
Gains recognised in other comprehensive income	15,116	–	–	–	15,116
Gains and losses recognised in profit or loss	51,249	(46,931)	–	(46,931)	4,318
Amortisation of deferred day one gain in profit or loss	–	–	2,235	2,235	2,235
Currency translation differences	(361)	(230)	–	(230)	(591)
Closing balance on 31 December 2015	390,200	223,219	(6,477)	216,742	606,942
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	51,249	(46,931)	2,235	(44,696)	6,553
Changes in unrealised gains for the year included in other comprehensive income at the end of the year	15,116	–	–	–	15,116

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(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)

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

	Debt component	Derivative component			Total
		Gross	Deferred day one gain	Net	
	$'000 *(Note 27)*	$'000	$'000	$'000 *(Note 38)*	$'000
Opening balance on 1 January 2014	–	–	–	–	–
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 on 31 December 2014	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

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 2015	**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	**(90,075)/116,063**	**(22,111)/22,007**	**(24,218)/23,939**	**N/A**
Convertible redeemable preferred shares – debt component	**N/A**	**N/A**	**N/A**	**(38,238)/43,482**
Convertible redeemable preferred shares – derivative component	**N/A**	**N/A**	**N/A**	**38,238/(43,482)**

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	2,818/(3,090)

(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 2015	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)	**613,908**	**–**	**613,908**	**(17,002)**	**596,906**
– Not subject to master netting arrangement	**229,772**	**–**	**229,772**	**–**	**229,772**
	843,680	**–**	**843,680**	**(17,002)**	**826,678**
Amounts due from related companies					
– Subject to master netting arrangement (Note ii)	**–**	**–**	**–**	**–**	**–**
– Not subject to master netting arrangement	**135,394**	**–**	**135,394**	**–**	**135,394**
	135,394	**–**	**135,394**	**–**	**135,394**

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 companies					
– 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

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$17,002,000 (2014: HK$31,897,000) 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 collectability 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Useful lives of property, plant and equipment

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

(iv) Fair value of 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 15.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(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.

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 2015 was HK$44,182,000 (2014: HK$75,371,000) (Note 8).

(vii) Fair values 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).

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 and provision of new media services. An analysis of the Group's revenue by nature is as follows:

	2015	2014
	$'000	$'000
Advertising sales		
Television broadcasting	**1,505,403**	1,893,186
New media	**1,431,423**	1,421,272
Outdoor media	**567,028**	553,604
Mobile, video and wireless value added services income	**489,285**	568,408
Subscription sales	**91,514**	100,215
Magazine advertising and subscription or circulation	**46,413**	51,771
Rental income	**14,650**	3,472
Others	**55,179**	26,437
	4,200,895	4,618,365

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.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 2015								
	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	1,451,302	146,793	1,598,095	1,920,708	571,521	14,650	95,921	–	4,200,895
Inter-segment sales (Note c)	–	44,515	44,515	–	67	3,208	77	(47,867)	–
Total revenue	1,451,302	191,308	1,642,610	1,920,708	571,588	17,858	95,998	(47,867)	4,200,895
Segment results	552,639	(30,935)	521,704	153,634	63,806	1,106	(92,057)	–	648,193
Unallocated income (Note a)									51,047
Unallocated expenses (Note b)									(369,990)
Profit before share of results of joint ventures/associates, income tax and non-controlling interests									329,250
Share of profits less losses of joint ventures									(18,624)
Share of profits less losses of associates									(18,919)
Income tax expense									(139,876)
Profit for the year									151,831
Non-controlling interests									(41,482)
Profit attributable to owners of the Company									110,349
Depreciation	(56,927)	(27,376)	(84,303)	(56,192)	(36,114)	(38,783)	(10,607)	–	(225,999)
Unallocated depreciation									(25,544)
									(251,543)
Interest income	3	1,338	1,341	88,605	4,881	203	6,382	–	101,412
Unallocated interest income									16,272
									117,684
Interest expenses	–	(73)	(73)	(2,858)	–	(41,287)	–	–	(44,218)
Unallocated interest expenses									(5,407)
									(49,625)
Impairment of property, plant and equipment	–	–	–	(4,631)	(5,741)	–	–	–	(10,372)
Provision for impairment of accounts receivable	–	–	–	(59,691)	(9,205)	–	(6,062)	–	(74,958)
Provision for impairment of amounts due from joint ventures	–	–	–	(11,738)	–	–	(27,547)	–	(39,285)
Provision for impairment of investment in a joint venture	–	–	–	(3,854)	–	–	–	–	(3,854)
Reversal of provision for impairment of amount from an associate	–	–	–	–	–	–	301	–	301
Provision for impairment of available–for–sale financial asset	–	–	–	(7,805)	–	–	–	–	(7,805)

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)
Interest income	3	1,326	1,329	58,650	4,614	488	5,494	–	70,575
Unallocated interest income									13,700
									84,275
Interest expenses	–	(75)	(75)	–	–	(18,872)	–	–	(18,947)
Unallocated interest expenses									(2,029)
									(20,976)
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)

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Notes:

(a) Unallocated income represents exchange gain, interest income, investment income and other 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.

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

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

	2015 **$'000**	2014 $'000
The PRC	**4,049,267**	4,455,049
Hong Kong	**47,322**	50,624
Others	**104,306**	112,692
	4,200,895	4,618,365

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

	2015 **$'000**	2014 $'000
The PRC	**2,401,164**	2,529,090
Hong Kong	**759,993**	889,968
Others	**82,618**	96,006
	3,243,775	3,515,064

6. OTHER (LOSSES)/GAINS, NET

	2015 $'000	2014 $'000
Exchange loss, net	**(57,213)**	(14,325)
Investment income	**9,932**	4,225
Fair value loss on financial assets at fair value through profit or loss (Note 26)	**(3,694)**	(3,099)
Fair value (loss)/gain on derivative financial instruments (Note 38)	**(46,787)**	37,801
Gain on disposal of subsidiaries and associates	**5,214**	35,850
Provision for impairment of amounts due from joint ventures (Note 17(b), 25(b))	**(39,285)**	(29,027)
Provision for impairment of investment in a joint venture (Note 17)	**(3,854)**	–
Reversal of provision for/(provision for) impairment of amount due from an associate (Note 25 (c))	**301**	(4,838)
Provision for impairment of available-for-sale financial asset (Note 27)	**(7,805)**	(962)
Others, net	**(9,027)**	16,526
	(152,218)	42,151

Notes to the Consolidated Financial Statements

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

7. PROFIT BEFORE INCOME TAX

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

	2015 **$'000**	2014 $'000
Crediting		
Reversal of provision for impairment of accounts receivable	**–**	(4,534)
Gain on disposal of property, plant and equipment	**(39)**	(71)
Charging		
Production costs of self-produced programmes	**196,957**	188,176
Commission expenses	**396,436**	397,730
Bandwidth costs	**102,625**	104,960
Provision for impairment of accounts receivable	**74,958**	18,549
Employee benefit expenses (including Directors' emoluments) (Note 8)	**1,254,732**	1,263,057
Operating lease rental in respect of		
– Directors' quarters	**1,891**	2,015
– Land and buildings of third parties	**82,470**	75,028
– LED panels	**199,447**	195,679
Loss on disposal of property, plant and equipment	**952**	768
Depreciation of property, plant and equipment	**251,543**	205,716
Amortisation of purchased programme and film rights	**19,025**	20,920
Amortisation of lease premium for land	**5,949**	4,112
Amortisation of intangible assets	**1,564**	1,479
Impairment of property, plant and equipment	**10,372**	145
Auditor's remuneration		
– Audit services	**13,288**	11,084
– Non-audit services	**1,200**	1,026
Outgoings for investment properties	**1,495**	168

8. EMPLOYEE BENEFIT EXPENSES

	2015 **$'000**	2014 $'000
Wages, salaries and other allowances	**1,188,014**	1,163,570
Unutilised annual leave	**(38)**	692
Pension costs – defined contribution plan, net of forfeited contributions (Note a)	**22,574**	23,424
Share-based compensation expense (Note 33)	**44,182**	75,371
	1,254,732	1,263,057

(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 2015, the aggregate amount of the employer's contributions was approximately HK$20,110,000 (2014: HK$20,260,000) and the total amount of forfeited contributions was approximately HK$2,368,000 (2014: HK$1,532,000).

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 onwards 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 2015, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$2,989,000 (2014: HK$3,302,000) and the forfeited contributions was HK$12,000 (2014: HK$36,000).

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

8. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

The five highest paid individuals in the Group for the year ended 31 December 2015 included three Directors (2014: two) and one member of senior management (2014: two). The aggregate emoluments paid/payable to the five highest paid individuals during the year are as follows:

	2015 **$'000**	2014 $'000
Salaries	**20,149**	18,851
Discretionary bonus	**2,221**	10,991
Housing allowance	**4,664**	4,523
Pension costs	**1,191**	1,174
	28,225	35,539

The emoluments of the five highest paid individuals and three remaining members of senior management (2014: five highest paid individuals and one remaining member of senior management) fall within the following bands:

	Number of individuals	
Emolument band	**2015**	2014
HK$1,500,001 – HK$2,000,000	**1**	–
HK$3,500,001 – HK$4,000,000	**3**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	2
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	1
HK$8,000,001 – HK$8,500,000	**–**	1
HK$9,500,001 – HK$10,000,000	**1**	–
HK$11,500,001 – HK$12,000,000	**–**	1
	8	6

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 (2014: Nil).

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015 **$'000**	2014 $'000
Current income tax		
– Hong Kong profits tax	**66,818**	140,052
– PRC and overseas taxation	**68,766**	70,114
– (Over)/under provision of tax in the prior year	**(1,194)**	936
Deferred income tax (Note 36)	**5,486**	40,220
	139,876	251,322

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% (2014: 15%) respectively for being new technology enterprises and a subsidiary enjoys preferential tax rate of 12.5% (2014: income tax exemption) for being a software enterprise.

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:

	2015 **$'000**	2014 $'000
Profit before income tax	**291,707**	1,161,782
Calculated at a taxation rate of 16.5% (2014: 16.5%)	**48,132**	191,694
Income not subject to taxation	**(42,272)**	(35,871)
Expenses not deductible for taxation purposes	**88,252**	59,356
Tax losses not recognised	**28,701**	24,683
Effect of different tax rate in other countries	**23,199**	61,091
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(4,727)**	(50,966)
Recognition of temporary differences not previously recognised	**842**	400
Utilisation of previously unrecognised tax losses	**(1,057)**	(1)
(Over)/under provision of tax in the prior year	**(1,194)**	936
Income tax expense	**139,876**	251,322

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

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.

	2015	2014
Profit attributable to owners of the Company ($'000)	**110,349**	663,710
Weighted average number of ordinary shares in issue ('000)	**5,000,006**	4,997,405
Basic earnings per share (Hong Kong cents)	**2.21**	13.28

(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 of a subsidiary (2014: 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.

	2015	2014
Profit attributable to owners of the Company ($'000)	**110,349**	663,710
Weighted average number of ordinary shares in issue ('000)	**5,000,006**	4,997,405
Adjustment for share options of the Company ('000)	**1,930**	3,334
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,001,936**	5,000,739
Diluted earnings per share (Hong Kong cents)	**2.21**	13.27

11. DIVIDENDS

	2015 $'000	2014 $'000
Proposed final dividend of 1 Hong Kong cent (2014: 4 Hong Kong cents) per share	**50,010**	199,908

The 2014 final dividend paid during the year ended 31 December 2015 were approximately HK$200,040,000 (4 Hong Kong cents per share). The Board of Directors of the Company ("Board") recommend the payment of a final dividend of 1 Hong Kong cent per share, totalling approximately HK$50,010,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2016. These consolidated financial statements do not reflect this dividend payable.

12. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	2015 $'000	2014 $'000
Balance, beginning of year	**17,350**	22,246
Additions	**18,588**	16,803
Amortisation	**(19,025)**	(20,920)
Others	**(1,068)**	(779)
Balance, end of year	**15,845**	17,350
Less: Purchased programme and film rights – current portion	**(450)**	(1,141)
	15,395	16,209

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

13. 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:

	2015 **$'000**	2014 $'000
Balance, beginning of year	**234,368**	241,081
Amortisation (Note a)	**(5,949)**	(6,015)
Currency translation differences	**(5,081)**	(698)
Balance, end of year (Note a and Note b)	**223,338**	234,368

(a) For the year ended 31 December 2015, no amortisation of lease premium for land has been capitalised in construction in progress under property, plant and equipment (for the year ended 31 December 2014: HK$1,903,000).

(b) The construction of Phoenix International Media Centre was completed on 29 July 2014 ("Completion date"). Included in the net book value as of 31 December 2015 is an amount of HK$112,466,000 (2014: HK$120,751,000) which represents land use rights attributable to the gross floor areas of Phoenix International Media Centre occupied by the Group for its operation in Beijing.

(c) Included in the net book value as of 31 December 2015 is an amount of HK$14,340,000 (2014: HK$14,745,000) 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 2015, 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 2015, 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 14(a)).

14. 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 2015										
Opening net book amount	12,670	720,512	211,435	5,896	301,533	18,032	200,845	74,816	–	1,545,739
Additions	–	–	32,386	2,526	65,409	2,213	841	–	–	103,375
Disposals	–	–	(100)	(1)	(939)	(40)	–	–	–	(1,080)
Depreciation	–	(43,283)	(46,623)	(1,901)	(113,701)	(6,130)	(32,606)	(7,299)	–	(251,543)
Impairment	–	–	–	–	(4,631)	–	(5,741)	–	–	(10,372)
Transfers	–	–	–	–	–	–	–	–	–	–
Currency translation differences	(169)	(29,282)	(2,194)	(105)	(5,852)	(157)	(7,922)	–	–	(45,681)
Closing net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438
At 31 December 2015										
Cost	12,501	725,191	462,735	25,112	854,739	47,593	311,536	100,971	–	2,540,378
Accumulated depreciation and impairment	–	(77,244)	(267,831)	(18,697)	(612,920)	(33,675)	(156,119)	(33,454)	–	(1,199,940)
Net book amount	12,501	647,947	194,904	6,415	241,819	13,918	155,417	67,517	–	1,340,438

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

14. 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
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)	–
Currency translation differences	(85)	(1,158)	(178)	3	(1,023)	(33)	(1,248)	–	(2,255)	(5,977)
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

Depreciation expense of approximately HK$153,607,000 (2014: HK$143,423,000) has been charged in "Operating expenses", and approximately HK$97,936,000 (2014: HK$62,293,000) in "Selling, general and administrative expenses".

(a) Included in the net book value as of 31 December 2015 is an amount of HK$24,784,000 (2014: HK$25,483,000) 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 2015, the cost of this capitalised finance lease was HK$30,848,000 (2014: HK$30,848,000) with a net book value of HK$24,784,000 (2014: HK$25,483,000). As at 31 December 2015, 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 13(c)).

(b) As of 31 December 2015, 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 2015 is an amount of HK$67,517,000 (2014: HK$74,816,000) which relates to the aircraft for operation use.

(d) No interest has been capitalised during the year (2014: HK$10,361,000 capitalised up to the Completion date).

15. INVESTMENT PROPERTIES

	2015 $'000	2014 $'000
Balance, beginning of year	**1,515,675**	1,173,009
Additions	**–**	172,521
Fair value gain	**98,939**	175,777
Currency translation differences	**(66,760)**	(5,632)
Balance, end of year	**1,547,854**	1,515,675

(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 2015 (2014: Same). Fair value gain of approximately HK$98,939,000 (2014: HK$175,777,000) is included in the "Other (losses)/gains, net" in the consolidated income statement.

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

15. INVESTMENT PROPERTIES (CONTINUED)

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

(i) Fair value hierarchy

Description	**Fair value measurements at 31 December 2015 using significant unobservable inputs (Level 3) $'000**	Fair value measurements at 31 December 2014 using significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Investment properties		
– Phoenix International Media Centre		
– The PRC	**1,534,012**	1,503,533
– Commercial – UK	**13,842**	12,142

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 (2014: Same), 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.

15. 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$13,842,000 (2014: HK$12,142,000), 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, for the investment property in the PRC, which represents gross floor area of Phoenix International Media Centre held for rental income, has a carrying value of HK$1,534,012,000 (as at 31 December 2014: HK$1,503,533,000). The fair value of this investment property is determined using the information from the valuation performed by external professional valuer using the direct comparison method. 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. There were no changes in valuation techniques during the year.

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

15. 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 2015 ($'000)	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Phoenix International Media Centre – The PRC	1,534,012	Direct comparison	Adjusted average price of HK$35,120 per square metre	The higher the adjusted average price per square metre, the higher the fair value
Commercial – UK	13,842	Discounted cash flow	Estimated rental value of HK$4,119 per annum per square metre	The higher the rental value, the higher the fair value
			Reversionary yield of 7.25%	The higher the reversionary yield, the lower the fair value

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

15. 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 of decrease $'000
At 31 December 2015	**76,701**
At 31 December 2014	75,177

(b) Borrowing cost

No interest has been capitalised during the year (2014: HK$15,542,000 capitalised up to the Completion date).

(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 36).

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16. INTANGIBLE ASSETS

	Goodwill $'000	Licenses $'000	Contractual customer relationship $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2015						
Opening net book amount	**8,733**	**–**	**–**	**2,705**	**6,652**	**18,090**
Amortisation	**–**	**–**	**–**	**–**	**(1,564)**	**(1,564)**
Currency translation differences	**–**	**–**	**–**	**–**	**(19)**	**(19)**
Closing net book amount	**8,733**	**–**	**–**	**2,705**	**5,069**	**16,507**
At 31 December 2015						
Cost	**8,733**	**2,401**	**1,924**	**2,705**	**9,686**	**25,449**
Accumulated amortisation and impairment	**–**	**(2,401)**	**(1,924)**	**–**	**(4,617)**	**(8,942)**
Net book amount	**8,733**	**–**	**–**	**2,705**	**5,069**	**16,507**
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

16. INTANGIBLE ASSETS (CONTINUED)

Approximately amortisation of HK$1,564,000 (2014: HK$1,479,000) is included in "Selling, general and administrative expenses" during the year.

An impairment review of the carrying amount of goodwill at 31 December 2015 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 (2014: 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.

17. INTERESTS IN JOINT VENTURES

	2015 $'000	2014 $'000
Unlisted investments, net	**27,768**	42,318
Amounts due from joint ventures (Note b)	**1,500**	9,976
	29,268	52,294

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

	2015 $'000	2014 $'000
Unlisted investments, at cost	**69,575**	20,559
Fair value of non-controlling interests retained	**–**	45,852
Capital contribution	**7,928**	3,164
Less: Provision for impairment	**(4,326)**	(472)
Less: Share of profits less losses of joint ventures	**(45,409)**	(26,785)
Unlisted investments, net	**27,768**	42,318

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

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2015 were 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, and media marketing 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%	RMB 10,000,000
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	27.8%	RMB1,960,000
北京鳳天優房地產經紀有限公司	The PRC, 4 March 2015	The PRC	New Media	27.8%	RMB500,000
鳳凰金房信息諮詢（北京）有限公司	The PRC, 15 June 2015	The PRC	New Media	27.8%	RMB1,000,000

* *For identification only*

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

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the joint ventures which are accounted for by the equity method of accounting as at 31 December 2015 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	55.61%	US$560
Phoenix FM (Hong Kong) Company Limited	Hong Kong, 24 October 2013	Hong Kong	New Media	55.61%	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	55.61%	US$1,700,000
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	55.61%	RMB1,000,000
深圳市鳳凰精彩網絡技術有限公司 Shenzhen Fenghuang Jingcai Network Technology Co. Ltd. *	The PRC, 1 April 2014	The PRC	New Media	25.06%	RMB50,000,000
塔美數據科技（上海）有限公司	The PRC, 30 March 2015	The PRC	Data technology	51%	RMB2,000,000
廣州華師鳳凰文化教育信息技術有限公司	The PRC, 30 October 2012	The PRC	Education	36%	RMB10,000,000

* *For identification only*

(a) On 6 November 2015, Phoenix U Radio Limited ("U Radio"), in which the Group held 22.73% equity interest as at 6 November 2015, ceased operation subsequent to the surrender of its digital sound broadcasting licence.

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

17. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Amounts due from joint ventures

	2015 $'000	2014 $'000
Amounts due from joint ventures	**12,743**	83,797
Less: Provision for impairment	**(11,243)**	(73,821)
Amounts due from joint ventures, net	**1,500**	9,976

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

Amounts receivable (gross), which are not repayable within one year after the end of reporting period, are analysed as follows:

	2015 $'000	2014 $'000
Interest bearing and secured (i)	**–**	80,000
Non-interest bearing and unsecured (ii)	**12,743**	3,797
	12,743	83,797

(i) The balance as at 31 December 2014 represented amount due from a joint venture which carried interest at 2% plus the best lending rate per annum on HK$ quoted by the Hong Kong and Shanghai Banking Corporation Limited and secured by certain assets of this joint venture. During the year ended 31 December 2015, HK$15,000,000 was further drawn down by this joint venture with the aforementioned terms. The average effective interest rate was 7% (2014: 7%). The Group has recorded provision for impairment of HK$27,547,000 (2014: HK$25,231,000) included in "Other (losses)/gains, net" for the year ended 31 December 2015, after taking into account the present value of estimated future cash flows from this joint venture. Net amount due from this joint venture was settled upon the cessation of operation of U Radio (Note (a)) and the Group has written off amount due from U Radio of approximately HK$99,639,000 (2014: Nil) against the provision for impairment made in prior years during the year.

(ii) Included in amounts due from joint ventures under non-current assets as of 31 December 2015, there is a receivable amounting to HK$12,743,000 (2014: HK$3,797,000) 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 of which HK$11,243,000 has been provided for impairment (2014: HK$1,729,000). Amount due from a joint venture of HK$9,514,000 and the related provision for impairment HK$9,514,000 as at 31 December 2014 has been reclassified from current asset to non-current asset as a result of renewal of loan agreement during the year ended 31 December 2015. Provision for the impairment for the year is Nil (2014: provision for impairment of HK$1,729,000 included in "Other (losses)/gains, net" after taking into account the present value of estimated future cash flows from this joint venture.

17. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Amounts due from joint ventures (Continued)

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

	2015 $'000	2014 $'000
HK$	**–**	7,909
RMB	**1,500**	2,067
	1,500	9,976

(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.

	2015 $'000	2014 $'000
The Group's share of profits less losses and total comprehensive income	**(18,624)**	(22,439)
Aggregate carrying amount of the Group's interests in these joint ventures	**27,768**	42,318

(d) As at 31 December 2015, there are no commitments and contingent liabilities relating to the Group's interests in joint ventures (2014: Nil).

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

18. INVESTMENTS IN ASSOCIATES

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

	2015 $'000	2014 $'000
Unlisted investments, at cost	**82,452**	21,128
Acquisition of an associate (Note (a))	**–**	61,324
Capital contribution	**12,045**	–
Disposal of associates (Note (a))	**(56,027)**	–
Dividend from an associate	**(904)**	–
Share of profits less losses of associates	**(15,648)**	3,271
Unlisted investments, net	**21,918**	85,723

Details of the principal associates which are accounted for by the equity method of accounting as at 31 December 2015 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
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
杭州奇客科技有限公司 Hangzhou Qike Technology Co., Ltd.*	The PRC, 13 February 2015	The PRC	Management consulting	25.02%	RMB10,000,000
傳大鳳凰（北京）教育科技有限公司	The PRC, 2 August 2012	The PRC	Education	30%	RMB6,000,000

* For identification only

(a) Subsequent to the purchase of certain Preferred Shares of Particle Inc. on 10 September 2014 (see Note 43(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 in 2014.

In February 2015, PNM entered into an agreement with Particle Inc. to purchase a number of Series C redeemable preferred shares and another agreement (the "Purchase Agreement") with certain existing Shareholders of Particle Inc. to purchase a number of ordinary shares and Class A ordinary shares of Particle Inc.. According to the Purchase Agreement, Particle Inc. repurchased each ordinary share and each Class A ordinary share held by PNM and issued one Series C Preferred Share for each such ordinary share or Class A ordinary share (the "Transactions"). Particle Inc. has ceased to be an associate upon completion of the Transactions (See Note 43(c)).

18. 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.

	2015 $'000	2014 $'000
The Group's share of profits less losses and total comprehensive income	**(18,919)**	1,213
Aggregate carrying amount of the Group's interests (including goodwill) in these associates	**21,918**	85,723

(c) As at 31 December 2015, there are no commitments and contingent liabilities relating to the Group's interests in associates (2014: Nil).

19. SUBSIDIARIES

(a) The following is a list of principal subsidiaries at 31 December 2015:

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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19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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	55.61%	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*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
鳳凰在綫（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	55.61%	US$31,850,000
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	55.61%	US$2,563,353 (Class A Ordinary shares) US$3,173,254 (Class B Ordinary shares)
Phoenix Pictures Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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 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
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 c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB154,000,000
鳳凰衛視都市傳媒(上海)有限公司 Phoenix Metropolis Media (Shanghai) Company Limited * (Note c)	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 c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,857,320

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
深圳鳳凰都市廣告傳播有限公司 Shenzhen Phoenix Metropolis Media Company Limited * (Note c)	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 c)	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 c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB15,000,000
鳳凰都市傳媒(四川)有限公司 Phoenix Metropolis Media (Sichuan) Company Limited * (Note c)	The PRC, limited liability company	The PRC	Outdoor media business	45.54%	RMB8,795,328
鳳凰東方(北京)置業有限公司 Phoenix Oriental (Beijing) Properties Company Limited * (Note d)	The PRC, limited liability company	The PRC	Property holding	70%	RMB300,000,000

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (Continued)

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
PNACC Television (Canada) Inc.	Canada, limited liability company	Vancouver, British Columbia, Canada	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 U Radio Limited	Hong Kong, limited liability company	Hong Kong	Radio Broadcasting	100%	HK$1,000 (A share) HK$100 (B share)
Phoenix Satellite Télévision (France) SAS	France, limited liability company	France	Satellite television broadcasting	100%	EUR500,000
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	55.61%	RMB10,000,000
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	55.61%	RMB10,000,000
北京天盈創智廣告有限公司 Beijing Tianying Changzhi Advertising. Co. Ltd. (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.61%	RMB5,000,000

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
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
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	55.61%	HK$1
Peak Apex Limited	British Virgin Islands, limited liability company	Hong Kong	Aircraft chartering services	100%	US$1

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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 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
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
北京鳳凰於天軟體技術有限公司 Beijing Fenghuang Yutian Software Technology Co., Ltd. *	The PRC, limited liability company	The PRC	Software development	55.61%	RMB5,000,000

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
北京鳳凰互動娛樂網絡技術有限公司 (formerly known as北京繼融文華文化傳播有限公司 Beijing Jirong Wenhua Culture Communication Co., Ltd.*) (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.61%	RMB10,000,000
金華鳳凰互娛網絡技術有限公司 Jinhua Fenghuang Interactive Entertainment Network Technology Co., Ltd.*	The PRC, limited liability company	The PRC	Publishing	55.61%	RMB10,000,000
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. * (Note a(ii))	The PRC, limited liability company	The PRC	Advertising	55.61%	RMB2,000,000
上海億息網絡技術有限公司 Shanghai Yixi Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.61%	RMB100,000,000
北京鳳凰融合投資有限公司 Beijing Fenghuang Convergence Investment Co. Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Financial consulting services	55.61%	RMB400,000
上海喵球信息技術有限公司 Shanghai Miaoqiu Information Technology Co., Ltd.* (Note a(ii)) (Note c)	The PRC, limited liability company	The PRC	Technical consulting	41.71%	RMB1,000,000

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
成都歡遊天下網絡科技有限公司 Chengdu Huanyou Tianxia Network Technology Co., Ltd.* (Note a(ii))	The PRC, limited liability company	The PRC	Technical consulting	55.61%	RMB500,000
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	Advertising	55.61%	RMB100,000,000
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.61%	HK$1
Convergence Investment Co. Ltd	Cayman Islands, limited liability company	Cayman Islands	Investment consultancy	55.61%	US$0.01
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	100%	RMB100,000,000

* *For identification only*

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
上海鳳凰衛視領客文化發展有限公司 (Note c)	The PRC, limited liability company	The PRC	Cultural development	61.6%	RMB7,300,000
I Game Limited	Cayman Islands, exempted company	Cayman Islands	Investment holding	55.61%	US$0.01
I Game (Hong Kong) Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	55.61%	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	55.61%	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	55.61%	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	55.61%	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	55.61%	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	55.61%	US$5,000,000

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Notes to the Consolidated Financial Statements

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
鳳凰教育發展有限公司 Phoenix Education Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰國際教育有限公司 Phoenix International Education Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	60%	HK$500,000
鳳翔(深圳)教育科技有限公司	The PRC, limited liability company	The PRC	Education	60%	RMB5,000,000
鳳凰新聯合(北京)教育科技有限公司 (Note a (ii))	The PRC, limited liability company	The PRC	Education	60%	RMB10,000,000
蘇州鳳凰新聯合科技有限公司 (Note a(ii))	The PRC, limited liability company	The PRC	Education	60%	RMB2,000,000
鳳凰置業投資控股有限公司 Phoenix Property Investment Holding Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	100%	US$1

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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
鳳凰置業發展有限公司 Phoenix Property Development Limited	Hong Kong, limited liability company	Hong Kong	Property development	100%	HK$1
鳳凰雲祥科技發展有限公司 Phoenix Cloud Technology Development Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰雲祥（北京）科技發展有限公司	The PRC, limited liability company	The PRC	Technical consulting	100%	RMB3,000,000
鳳凰娛樂遊戲有限公司 Phoenix Entertainment and Game Company Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰衛視投資有限公司 Phoenix Satellite Television Investment Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1
鳳凰新生活諮詢有限公司 Phoenix New Life Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	100%	HK$1

Notes to the Consolidated Financial Statements

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

19. SUBSIDIARIES (CONTINUED)

(a) The following is a list of principal subsidiaries at 31 December 2015: (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., Beijing Huanyou Tianxia Technology Co. Ltd. and 鳳凰新聯合（北京）教育科技有限公司 and their respective subsidiaries (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) 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 2015.

(c) 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.

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

(e) Cash and short-term deposits of HK$1,863,416,000 (2014: HK$2,151,639,000) 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.

19. SUBSIDIARIES (CONTINUED)

(f) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 are HK$1,530,008,000 (2014: HK$1,723,634,000), of which HK$292,830,000 (2014: HK$326,798,000) is attributed to PMM Beijing and its subsidiaries (collectively referred to as "PMM Group"); HK$1,034,828,000 (2014: HK$1,025,617,000) is attributed to PNM and its subsidiaries (collectively referred to as "PNM Group"); and HK$202,230,000 (2014: HK$363,415,000) 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 40 for transactions with non-controlling interests.

Summarised balance sheet

	PMM Group		PNM Group		Phoenix Oriental	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000 (Note 46)
Current assets	**395,761**	403,348	**2,278,848**	2,551,214	**38,532**	133,031
Current liabilities	**(190,835)**	(190,295)	**(907,293)**	(744,522)	**(199,010)**	(831,472)
Net current assets/(liabilities)	**204,926**	213,053	**1,371,555**	1,806,692	**(160,478)**	(698,441)
Non-current assets	**335,611**	389,860	**799,460**	356,292	**2,162,076**	2,177,077
Non-current liabilities	**–**	–	**(1,590)**	(1,699)	**(1,327,496)**	(737,925)
Net non-current assets	**335,611**	389,860	**797,870**	354,593	**834,580**	1,439,152
Net assets	**540,537**	602,913	**2,169,425**	2,161,285	**674,102**	740,711
Non-controlling interests within PMM Group/PNM Group/ Phoenix Oriental	**–**	–	**1,127**	–	**–**	–
Net assets attributable to owners of PMM Group/PNM Group/ Phoenix Oriental	**540,537**	602,913	**2,170,552**	2,161,285	**674,102**	740,711
Non-controlling interests	**292,830**	326,798	**1,034,828**	1,025,617	**202,230**	363,415

Notes to the Consolidated Financial Statements

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

19. SUBSIDIARIES (CONTINUED)

(f) Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	PMM Group		PNM Group		Phoenix Oriental	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**567,094**	553,604	**1,920,708**	1,989,680	**14,650**	2,431
Profit before income tax	**59,212**	42,050	**124,798**	429,801	**3,873**	163,819
Income tax expense	**(20,861)**	(17,635)	**(31,692)**	(60,915)	**(24,189)**	(43,350)
Profit/(loss) after income tax	**38,351**	24,415	**93,106**	368,886	**(20,316)**	120,469
Other comprehensive income	**–**	–	**–**	5,677	**–**	–
Profit/(loss) and total comprehensive income for the year	**38,351**	24,415	**93,106**	374,563	**(20,316)**	120,469
Total comprehensive income for the year attributable to non-controlling interests within PMM Group/PNM Group/Phoenix Oriental	**–**	–	**1,474**	(1,225)	**–**	–
Total comprehensive income for the year attributable to owners of PMM Group/PNM Group/Phoenix Oriental	**38,351**	24,415	**94,580**	373,338	**(20,316)**	120,469
Total comprehensive income allocated to non-controlling interests	**20,891**	13,115	**40,090**	172,481	**(10,158)**	60,234
Dividends paid to non-controlling interests	**41,552**	16,068	**–**	–	**–**	–

19. SUBSIDIARIES (CONTINUED)

(f) Material non-controlling interests (Continued)

Summarised cash flows

	PMM Group		PNM Group		Phoenix Oriental	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities						
Cash generated from/(used in) operations	**59,765**	93,287	**330,496**	487,892	**(116,219)**	272,137
Income tax paid	**(10,518)**	(42,313)	**(47,610)**	(42,015)	**–**	–
Net cash generated from/(used in) operating activities	**49,247**	50,974	**282,886**	445,877	**(116,219)**	272,137
Net cash generated from/(used in) investing activities	**39,846**	(31,062)	**(905,658)**	(173,604)	**(24,275)**	(298,309)
Net cash (used in)/generated from financing activities	**(76,292)**	(29,501)	**92,400**	(293,390)	**49,051**	113,240
Net increase/(decrease) in cash and cash equivalents	**12,801**	(9,589)	**(530,372)**	(21,117)	**(91,443)**	87,068
Cash and cash equivalents at beginning of year	**164,645**	174,644	**1,640,025**	1,664,736	**122,021**	34,143
Net exchange (losses)/gains on cash and cash equivalents	**(7,495)**	(410)	**(57,806)**	(3,594)	**3,125**	810
Cash and cash equivalents at end of year	**169,951**	164,645	**1,051,847**	1,640,025	**33,703**	122,021

The information above is the amount before inter-company eliminations.

Notes to the Consolidated Financial Statements

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

20. FINANCIAL INSTRUMENTS BY CATEGORY

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

	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 2015				
Available-for-sale financial assets (Note 27)	–	–	391,412	391,412
Derivative financial instruments (Note 38)	–	216,742	–	216,742
Financial assets at fair value through profit or loss (Note 26)	–	18,896	–	18,896
Bank deposits (Note 28)	462,147	–	–	462,147
Pledged bank deposits (Note 37)	655,192	–	–	655,192
Accounts receivable (Note 22)	843,680	–	–	843,680
Other receivables (Note 23)	841,470	–	–	841,470
Amounts due from related companies (Note 25)	135,394	–	–	135,394
Amounts due from joint ventures (Note 17)	1,500	–	–	1,500
Restricted cash (Note 29)	1,505	–	–	1,505
Cash and cash equivalents (Note 30)	2,542,692	–	–	2,542,692
Total	5,483,580	235,638	391,412	6,110,630

20. FINANCIAL INSTRUMENTS BY CATEGORY (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 2014				
Available-for-sale financial assets (Note 27)	–	–	32,770	32,770
Derivative financial instrument (Note 38)	–	56,105	–	56,105
Financial assets at fair value through profit or loss (Note 26)	–	22,590	–	22,590
Bank deposits (Note 28)	294,081	–	–	294,081
Pledged bank deposit (Note 37)	283,006	–	–	283,006
Accounts receivable (Note 22)	815,571	–	–	815,571
Other receivables (Note 23)	773,345	–	–	773,345
Amounts due from related companies (Note 25)	148,509	–	–	148,509
Amounts due from joint ventures (Note 17)	9,976	–	–	9,976
Restricted cash (Note 29)	1,603	–	–	1,603
Cash and cash equivalents (Note 30)	3,407,711	–	–	3,407,711
Total	5,733,802	78,695	32,770	5,845,267

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

20. FINANCIAL INSTRUMENTS BY CATEGORY (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 2015			
Derivative financial instruments (Note 38)	**3,228**	**–**	**3,228**
Accounts payable, other payables and accruals (Note 34)	**–**	**1,162,106**	**1,162,106**
Borrowings			
– Secured bank borrowings (Note 35(a))	**–**	**1,214,076**	**1,214,076**
– Loans from non-controlling shareholders of subsidiaries (Note 35(b))	**–**	**222,276**	**222,276**
Total	**3,228**	**2,598,458**	**2,601,686**
31 December 2014			
Derivative financial instrument (Note 38)	1,137	–	1,137
Accounts payable, other payables and accruals (Note 34)	–	1,105,722	1,105,722
Borrowings			
– Secured bank borrowings (Note 35(a))	–	855,345	855,345
– Loans from non-controlling shareholders of a subsidiary (Note 35(b))	–	276,021	276,021
Total	1,137	2,237,088	2,238,225

21. CREDIT QUALITY OF FINANCIAL ASSETS

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

Accounts receivable

	2015 **$'000**	2014 $'000
Counterparties without external credit rating		
Group 1	**46,660**	85,619
Group 2	**900,552**	783,285
	947,212	868,904

Other receivables

	2015 **$'000**	2014 $'000
Counterparties without external credit rating		
Group 1	**26,828**	49,164
Group 2	**814,642**	724,181
	841,470	773,345

Amounts due from related companies

	2015 **$'000**	2014 $'000
Counterparties without external credit rating		
Group 2	**135,394**	148,509

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.

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

21. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

Cash and cash equivalents

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

	2015 $'000	2014 $'000
AA –	**460,953**	264,110
A+	**28**	720
A	**27,401**	44,994
A–	**1,477,570**	1,113,324
BBB+	**517,618**	1,804,961
BBB	**20,355**	78
Others (Note a)	**37,880**	178,539
	2,541,805	3,406,726

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

Restricted cash

	2015 $'000	2014 $'000
AA–	**943**	979
A+	**–**	–
A	**562**	624
BBB+	**–**	–
	1,505	1,603

Available-for-sale financial assets

	2015 $'000	2014 $'000
Others (Note b)	**391,412**	32,770

Note b: Balance represents investments in debt and equity securities of private companies which credit ratings are not available.

21. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

Bank deposits

	2015 $'000	2014 $'000
AA–	37,535	–
A–	189,519	–
BBB+	193,193	256,112
BBB	16,569	–
Others	25,331	37,969
	462,147	294,081

Pledged bank deposits

	2015 $'000	2014 $'000
AA–	655,192	283,006

Financial assets at fair value through profit or loss

	2015 $'000	2014 $'000
AA–	18,896	22,590

None of the financial assets that are fully performing has been renegotiated during the year (2014: Nil).

22. ACCOUNTS RECEIVABLE, NET

	2015 $'000	2014 $'000
Accounts receivable	947,212	868,904
Less: Provision for impairment	(103,532)	(53,333)
	843,680	815,571

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 23). 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.

22. ACCOUNTS RECEIVABLE, NET (CONTINUED)

At 31 December 2015, the ageing analysis of the accounts receivable from customers was as follows:

	2015 **$'000**	2014 $'000
0-30 days	**230,830**	210,666
31-60 days	**149,543**	163,925
61-90 days	**102,032**	124,380
91-120 days	**89,815**	119,636
Over 120 days	**374,992**	250,297
	947,212	868,904
Less: Provision for impairment	**(103,532)**	(53,333)
	843,680	815,571

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

	2015 **$'000**	2014 $'000
RMB	**895,331**	840,680
US$	**46,274**	26,441
UK pound	**4,511**	1,750
Other currencies	**1,096**	33
	947,212	868,904

Movements on the Group's provision for impairment of accounts receivable are as follows:

	2015 **$'000**	2014 $'000
At 1 January	**53,333**	51,417
Provision for impairment	**74,958**	18,549
Receivables written off during the year as uncollectible	**(21,996)**	(6,043)
Reversal of provision for impairment	**–**	(4,534)
Disposal of subsidiaries	**–**	(5,720)
Currency translation differences	**(2,763)**	(336)
At 31 December	**103,532**	53,333

22. ACCOUNTS RECEIVABLE, NET (CONTINUED)

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.

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$74,958,000 (2014: HK$18,549,000) for the impairment of its accounts receivable for the year ended 31 December 2015. The loss has been included in "Selling, general and administrative expenses" in the consolidated income statement. The Group has written off approximately HK$21,996,000 (2014: HK$6,043,000) of accounts receivable against the provision for impairment of accounts receivable made in prior years during the year.

As at 31 December 2015, accounts receivable of approximately HK$385,117,000 (2014: HK$279,847,000) 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:

	2015 **$'000**	2014 $'000
0-30 days	**80,165**	79,407
31-60 days	**43,729**	40,755
61-90 days	**48,597**	28,253
91-120 days	**43,649**	35,760
Over 120 days	**168,977**	95,672
	385,117	279,847

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.

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	$'000	$'000
Prepayment and deposits	**185,870**	176,904
Other receivables	**841,470**	773,345
	1,027,340	950,249
Less: Non-current portion	**(50,557)**	(56,942)
Current portion	**976,783**	893,307

Included in other receivables is an amount of approximately RMB568,728,000 (HK$689,159,000) (2014: RMB490,122,000 (HK$620,303,000)) 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 RMB568,728,000 (HK$689,159,000) as at 31 December 2015 (2014: approximately RMB490,122,000 (HK$620,303,000)) 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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2015, other receivables of HK$841,470,000 (2014: HK$773,345,000) 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:

	2015 **$'000**	2014 $'000
Up to 90 days	**383,923**	355,329
91 to 180 days	**329,029**	341,697
Over 180 days	**128,518**	76,319
	841,470	773,345

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

	2015 **$'000**	2014 $'000
RMB	**826,486**	714,619
US$	**726**	752
HK$	**10,679**	54,341
UK pound	**3,165**	3,616
Other currencies	**414**	17
	841,470	773,345

As at 31 December 2015, other receivables of HK$16,325,000 (2014: HK$30,904,000) were impaired. During the year ended 31 December 2015, the Group has written off approximately HK$13,798,000 (2014: Nil) of other receivables against the provision for impairment of other receivable made in prior years.

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.

24. INVENTORIES

	2015 $'000	2014 $'000
Decoder devices and satellite receivers	**3,009**	3,053
Merchandised goods	**5,570**	5,064
	8,579	8,117

The cost of inventories sold of approximately HK$695,000 (2014: HK$443,000) for the year ended 31 December 2015 is charged to the consolidated income statement.

25. AMOUNTS DUE FROM RELATED COMPANIES

	2015 $'000	2014 $'000
Amounts due from related companies		
– CMCC (Note a)	**78,594**	101,995
– Joint ventures (Note b)	**35,225**	44,339
– An associate (Note c)	**–**	2,137
– Other related companies	**21,575**	38
	135,394	148,509

At 31 December 2015, the ageing analysis of the amounts due from related companies, were as follows:

	2015 $'000	2014 $'000
Amounts due from related companies		
0 – 90 days	**64,435**	79,446
91 – 120 days	**7,275**	16,042
over 120 days	**63,684**	53,021
	135,394	148,509

25. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

As at 31 December 2015, amounts due from related companies of HK$62,315,000 (2014: HK$54,835,000) were past due but not impaired.

	2015 **$'000**	2014 $'000
Amounts due from related companies		
up to 90 days	**17,469**	28,926
91 to 180 days	**15,290**	7,216
over 180 days	**29,556**	18,693
	62,315	54,835

The carrying amounts of the Group's amounts due from related companies, are denominated in the following amounts

	2015 **$'000**	2014 $'000
Amounts due from related companies		
RMB	**135,394**	132,870
HK$	**–**	13,502
US$	**–**	2,137
	135,394	148,509

(a) As at 31 December 2015, amount due from China Mobile Communications Corporation ("CMCC") and its subsidiaries ("CMCC Group"), a substantial shareholder of the Company, is approximately HK$78,594,000 (2014: HK$101,995,000) (Note 42(i)(b)). Extra Step Investments Limited, a subsidiary of the CMCC Group, is a substantial shareholder of the Company.

(b) As at 31 December 2015, the gross amount due from joint ventures is HK$46,963,000 (2014: HK$53,853,000) and the provision for impairment is HK$11,738,000 (2014: HK$9,514,000). The Group recorded provision for impairment of HK$11,738,000 (2014: HK$2,067,000), included in "Other (losses)/gains, net" for the year, after taking into account the present value of the estimated cash flows from the joint ventures (see Note 17(b)(ii)).

(c) As at 31 December 2015, the gross amount due from an associate is Nil (2014: HK$11,888,000) and provision for impairment is Nil (2014: HK$9,751,000). The Group recorded a reversal of provision for impairment of HK$301,000 (2014: provision for impairment of HK$4,838,000), included in "Other (losses)/gains, net" for the year, after taking into account the present value of the estimated cash flows from the associate.

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

25. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

(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.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 **$'000**	2014 $'000
Trading equity securities	**18,896**	22,590

As at 31 December 2015, the financial assets at fair value through profit and loss represent the shares of HSBC of HK$18,896,000 (2014: HK$22,590,000).

Fair value loss on financial assets at fair value through profit or loss of HK$3,694,000 (2014: fair value loss of HK$3,099,000) are recognised in "Other (losses)/gains, net" in the consolidated income statement (Note 6) and are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (Note 39).

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 2015, the closing price of the shares of HSBC listed in Hong Kong was HK$61.9 (2014: HK$74). 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$3,779,000 (2014: HK$4,518,000) higher/lower.

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Balance, beginning of year	**32,770**	962
Additions (Note 43(a), (c))	**300,443**	29,438
Provision for impairment	**(7,805)**	(962)
Fair value gain	**15,116**	3,332
Interest income	**51,249**	–
Currency translation differences	**(361)**	–
Balance, end of year	**391,412**	32,770

Available-for-sale financial assets include the following:

	2015 HK$'000	2014 HK$'000
Unlisted securities:		
– Preferred Shares – debt component	**390,200**	32,770
– Equity securities	**1,212**	–
	391,412	32,770

(a) The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**1,212**	–
US$	**390,200**	32,770
	391,412	32,770

Notes to the Consolidated Financial Statements

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

28. BANK DEPOSITS

	2015	2014
	$'000	$'000
Short-term deposits (Note a)	**462,147**	218,700
Structured deposits (Note b)	**–**	75,381
	462,147	294,081

(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:

	2015	2014
	$'000	$'000
RMB	**308,400**	88,593
US$	**153,747**	205,488
	462,147	294,081

(b) As at 31 December 2014, structured deposits are currency linked deposits with maturity periods of 3 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 and the deposits are settled in RMB. The carrying amounts of structured deposits are denominated in US$.

29. RESTRICTED CASH

Restricted cash represents funds pledged to banks to secure banking guarantee and advance payment.

	2015	2014
	$'000	$'000
RMB	**242**	253
UK pound	**943**	979
EURO	**320**	371
	1,505	1,603

30. CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'000
Cash at bank and on hand	**1,294,537**	2,419,289
Short-term bank deposits	**1,248,155**	988,422
	2,542,692	3,407,711
Maximum exposure to credit risk	**2,541,805**	3,406,724
Denominated in:		
– HK$	**81,992**	102,584
– RMB	**1,711,931**	2,944,958
– US$	**737,029**	343,698
– Other currencies	**11,740**	16,471
	2,542,692	3,407,711

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.

31. BANKING FACILITIES

As at 31 December 2015, the Group has undrawn banking facilities of HK$100,354,000 (2014: HK$224,688,000).

Notes to the Consolidated Financial Statements

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

32. SHARE CAPITAL

	2015 Number of shares	**2015** Amount $'000	2014 Number of shares	2014 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	**4,997,695,500**	**499,769**	4,997,187,500	499,718
Exercise of share options	**3,298,000**	**330**	508,000	51
At 31 December	**5,000,993,500**	**500,099**	4,997,695,500	499,769

33. 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:

	2015 Average exercise price in HK$ per share	**2015** Options '000	2014 Average exercise price in HK$ per share	2014 Options '000
At 1 January	**2.83**	**107,378**	2.82	109,896
Exercised	**1.98**	**(3,298)**	1.40	(508)
Lapsed	**2.92**	**(2,046)**	2.92	(2,010)
At 31 December	**2.86**	**102,034**	2.83	107,378

As at 31 December 2015, out of the 102,034,000 (2014: 107,378,000) outstanding options, 102,034,000 (2014: 82,165,500) were exercisable. Options exercised in 2015 resulted in 3,298,000 (2014: 508,000) shares being issued at an average exercise price HK$1.98 each (2014: HK$1.40). The related weighted average share price at the time of exercise was HK$3.02 (2014: HK$2.70) per share.

33. 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 2015 '000	2014 '000
25 March 2017	1.45	**4,450**	4,756
21 July 2019	1.17	**250**	1,772
8 March 2021	2.92	**94,544**	98,060
27 June 2021	3.06	**2,790**	2,790
		102,034	107,378

(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 accordance 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:

	2015 Average exercise price in US$ per share	**2015** Options '000	2014 Average exercise price in US$ per share	2014 Options '000
At 1 January	**0.79232**	**50,267**	0.44385	39,770
Granted	**0.91550**	**8,020**	1.29777	21,053
Lapsed	**1.02549**	**(8,379)**	0.90818	(4,014)
Exercised	**0.36462**	**(3,790)**	0.22940	(6,542)
At 31 December	**0.80647**	**46,118**	0.79232	50,267

As at 31 December 2015, out of the 46,118,000 (2014: 50,267,000) outstanding options, 19,685,000 (2014: 13,382,000) were exercisable. Options exercised in 2015 resulted in 3,790,000 (2014: 6,542,000) shares being issued at an average exercise price of US$0.36462 each (2014: US$0.22940). The related weighted average share price at the time of exercise was US$0.77 (2014: US$1.31) per share.

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33. 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%
4 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%
16 July 2015	0.4658	0.8825	0.9155	1.98%	6.16	54.32%

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 2015 '000	Share options 2014 '000
25 May 2018	0.03215	**5,956**	7,013
14 March 2023	0.44593	**8,244**	12,796
22 May 2023	0.46565	**2,900**	2,900
30 September 2023	0.78670	**56**	150
7 October 2023	0.82490	**4,832**	5,770
9 December 2023	1.08443	**1,900**	1,900
13 March 2024	1.31000	**–**	980
3 June 2024	1.27490	**940**	1,015
4 June 2024	1.27490	**550**	800
10 July 2024	1.30350	**12,918**	16,781
10 October 2024	0.82490	**162**	162
15 July 2025	0.91550	**7,660**	–
		46,118	50,267

33. 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:

	2015 RSU '000	2014 RSU '000
At 1 January	**33**	426
Vested	**(33)**	(387)
Lapsed	**–**	(6)
At 31 December	**–**	33

Movement in RS during the year is as follows:

	2015 RS '000	2014 RS '000
At 1 January	**–**	845
Vested	**–**	(676)
Lapsed	**–**	(169)
At 31 December	**–**	–

34. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2015 $'000	2014 $'000
Accounts payable	**392,446**	410,601
Other payables and accruals	**776,547**	705,039
	1,168,993	1,115,640
Less: Non-financial liabilities	**(6,887)**	(9,918)
	1,162,106	1,105,722

At 31 December 2015, the ageing analysis of the accounts payable was as follows:

	2015 $'000	2014 $'000
0-30 days	**202,278**	221,174
31-60 days	**22,216**	32,161
61-90 days	**18,362**	14,665
91-120 days	**19,842**	24,424
Over 120 days	**129,748**	118,177
	392,446	410,601

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:

	2015 $'000	2014 $'000
HK$	**298,924**	150,923
RMB	**850,987**	935,612
US$	**7,928**	14,468
UK pound	**3,697**	4,102
Other currencies	**570**	617
	1,162,106	1,105,722

35. BORROWINGS

	2015 $'000	2014 $'000
Secured bank borrowings (Note a)	**1,214,076**	855,345
Loans from non-controlling shareholders of subsidiaries (Note b)	**222,276**	276,021
	1,436,352	1,131,366

(a) Secured bank borrowings

	2015 $'000	2014 $'000
Non-current		
Long-term secured bank borrowings	**1,214,076**	853,272
Less: Current portion of long-term secured bank borrowings	**(431,607)**	(598,629)
	782,469	254,643
Current		
Short-term secured bank borrowings	**–**	2,073
Current portion of long-term secured bank borrowings	**431,607**	598,629
	431,607	600,702
Total secured bank borrowings	**1,214,076**	855,345

	2015 $'000	2014 $'000
The secured bank borrowings are repayable as follows:		
– Within one year	**431,607**	600,702
– More than one year but not exceeding two years	**229,118**	254,643
– More than two years but not exceeding five years	**163,580**	–
– More than five years	**389,771**	–
	1,214,076	855,345

Notes to the Consolidated Financial Statements

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

35. BORROWINGS (CONTINUED)

(a) Secured bank borrowings (Continued)

As at 31 December 2015, bank borrowings of HK$599,791,000 (2014: HK$598,629,000) are secured by the land in Chaoyang Park with carrying values of approximately HK$112,000,000 (2014: HK$121,000,000), HK$487,000,000 (2014: HK$547,000,000) and HK$1,534,000,000 (2014: HK$1,504,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively. These bank borrowings under current liabilities with original maturities in July 2015 have been refinanced during the year. HK$18,176,000 is repayable within one year and is classified under current liabilities and HK$581,615,000 is repayable more than 1 year and is classified under non-current liabilities as at 31 December 2015. These bank borrowings are denominated in RMB and bear interest at an average interest rate of 6.73% (2014: 7.44%) annually.

A bank borrowing of HK$2,027,000 (as at 31 December 2014: HK$2,073,000) is secured by a property in the United States with carrying value of approximately HK$2,810,000 (as at 31 December 2014: HK$2,851,000) recorded in property, plant and equipment as at 31 December 2015. The bank borrowing is denominated in US dollar ("US$") and bears interest at an average interest rate of 3.59% annually (as at 31 December 2014: 3.59%) annually.

Bank borrowings of HK$612,258,000 (as at 31 December 2014: HK$254,643,000) are secured by bank deposits of HK$655,192,000 (as at 31 December 2014: HK$283,006,000) as at 31 December 2015 (Note 37).

(b) Loans from non-controlling shareholders of subsidiaries

	2015 $'000	2014 $'000
Non-current		
Long-term loans from non-controlling shareholders of subsidiaries wholly repayable within 5 years	**176,789**	266,567
Current		
Short-term loans from non-controlling shareholders of a subsidiary	**45,487**	9,454
Total loans from non-controlling shareholders of subsidiaries	**222,276**	276,021

35. BORROWINGS (CONTINUED)

(b) Loans from non-controlling shareholders of subsidiaries (Continued)

Balance of HK$77,474,000 included in loans from non-controlling shareholders of subsidiaries in 2014 has been classified as "Other long-term liabilities" as at 31 December 2015. For details, please refer to Note 40(b).

The loans from non-controlling shareholders of subsidiaries are repayable as follows:

	2015	2014
	$'000	$'000
– Within one year	**45,487**	9,454
– More than one year but not exceeding two years	**98,632**	–
– More than two years but not exceeding five years	**58,770**	266,567
– More than five years	**19,387**	–
	222,276	276,021

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2014: same).

(c) The carrying amounts and fair values of the borrowings are as follows:

	Group			
	Carrying amount		**Fair value**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Secured bank borrowings	**1,214,076**	855,345	**1,214,076**	855,345
Loans from non-controlling shareholders of subsidiaries	**222,276**	276,021	**208,396**	214,015
	1,436,352	1,131,366	**1,422,472**	1,069,360

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 6.48% (2014: 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)

36. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the consolidated balance sheet are analysed as follows:

	2015 $'000	2014 $'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(6,058)**	(4,778)
– Deferred income tax assets to be recovered within 12 months	**(44,576)**	(30,883)
	(50,634)	(35,661)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**163,598**	148,124
Deferred income tax liabilities, net	**112,964**	112,463

The gross movements in the deferred income tax liabilities, net are as follows:

	2015 $'000	2014 $'000
At 1 January	**112,463**	73,698
Charged to the consolidated income statement (Note 9)	**5,486**	40,220
Currency translation differences	**(4,985)**	(1,455)
At 31 December	**112,964**	112,463

Deferred taxation for the year ended 31 December 2015 is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2014: 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$166,113,000 (2014: HK$144,172,000) in respect of unrecognised tax losses of HK$1,006,744,000 as at 31 December 2015 (2014: HK$873,768,000) that can be carried forward against future taxable income. Approximately HK$985,610,000 (2014: HK$866,863,000) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2028.

36. DEFERRED INCOME TAX (CONTINUED)

As at 31 December 2015, deferred income tax liabilities of HK$20,394,000 (2014: HK$14,993,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of HK$259,940,000 (2014: HK$232,962,000) 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	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**9,965**	15,084	**142,911**	98,746	**152,876**	113,830
(Credited)/charged to the consolidated income statement	**(5,637)**	(5,119)	**24,189**	45,764	**18,552**	40,645
Currency translation differences	**(71)**	–	**(6,577)**	(1,599)	**(6,648)**	(1,599)
At 31 December	**4,257**	9,965	**160,523**	142,911	**164,780**	152,876

Deferred income tax assets

	Tax losses		Provisions		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At 1 January	**(8,107)**	(9,934)	**(32,306)**	(30,198)	**(40,413)**	(40,132)
(Credited)/charged to the consolidated income statement	**(1,000)**	1,827	**(12,066)**	(2,252)	**(13,066)**	(425)
Currency translation differences	**–**	–	**1,663**	144	**1,663**	144
At 31 December	**(9,107)**	(8,107)	**(42,709)**	(32,306)	**(51,816)**	(40,413)

37. PLEDGED BANK DEPOSITS

As at 31 December 2015, US$ denominated bank deposits of approximately HK$503,730,000 (as at 31 December 2014: HK$283,006,000) bearing fixed interest rates ranging from 1.45% to 2.00% per annum, are pledged to a bank to secure US$ denominated bank borrowings of approximately HK$453,470,000 (as at 31 December 2014: HK$254,643,000) (Note 35(a)). The bank borrowings bear interests ranging from LIBOR plus 0.4% to 0.7% per annum. The Group has entered into two interest rate swap contracts with the same bank, with notional principals of the same amount of the borrowings, to swap its floating rate obligations under the borrowings for fixed rates obligation ranging from 1.39% to 1.55% per annum. The maturity dates of the borrowings are the same as the interest rate swap contracts. The Group did not elect to apply hedge accounting for the interest rate swap contracts. As at 31 December 2015, the fair values of the outstanding interest rate swap contracts of HK$1,793,000 and HK$401,000 (as at 31 December 2014: HK$1,137,000) have been recorded as derivative financial instruments under non-current liabilities and current liabilities respectively in the consolidated balance sheet (Note 38).

As at 31 December 2015, a RMB denominated short-term bank deposit of approximately HK$151,462,000 (as at 31 December 2014: Nil) bearing fixed interest rate of 3% per annum, is pledged to a bank to secure a RMB denominated short-term bank borrowing of approximately HK$158,788,000 (as at 31 December 2014: Nil) (Note 35(a)). The bank borrowing bears interest at LIBOR plus 1%.

The fair values of pledged bank deposits approximate their carrying amounts.

38. DERIVATIVE FINANCIAL INSTRUMENTS

	Asset		Liability	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Convertible redeemable preferred shares ("Preferred Shares") – derivative component (Note 43)	**216,742**	56,105	**–**	–
Interest rate swap contracts (Note 37)	**–**	–	**(2,194)**	(1,137)
Currency swap contract	**–**	–	**(1,034)**	–
Total	**216,742**	56,105	**(3,228)**	(1,137)
Less: non-current portion				
– Preferred shares – derivative component	**(216,742)**	(56,105)	**–**	–
– Interest rate swap contracts	**–**	–	**1,793**	1,137
Current portion				
– Interest rate swap contract	**–**	–	**(401)**	–
– Currency swap contract	**–**	–	**(1,034)**	–
	–	–	**(1,435)**	–
Balance, beginning of year	**56,105**	–	**(1,137)**	–
Addition	**205,563**	17,167	**–**	–
Fair value (loss)/gain, net	**(44,696)**	38,938	**(2,091)**	(1,137)
Currency translation differences	**(230)**	–	**–**	–
Balance, end of year	**216,742**	56,105	**(3,228)**	(1,137)

39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2015 $'000	2014 $'000
Profit before income tax	**291,707**	1,161,782
Amortisation of lease premium for land	**5,949**	6,015
Depreciation of property, plant and equipment	**251,543**	205,716
Amortisation of purchased programme and film rights	**19,025**	20,920
Amortisation of intangible assets	**1,564**	1,479
Share-based compensation expense	**44,182**	75,371
Provision for impairment of accounts receivable	**74,958**	18,549
Reversal of provision for impairment of accounts receivable	**–**	(4,534)
Provision for impairment of available-for-sale asset	**7,805**	962
Provision for impairment of amounts due from joint ventures	**39,285**	29,027
Provision for impairment of investment in a joint venture	**3,854**	–
(Reversal of provision for)/provision for impairment of amount due from an associate	**(301)**	4,838
Loss on disposal of property, plant and equipment	**952**	768
Gain on disposal of property, plant and equipment	**(39)**	(71)
Gain on disposal of subsidiaries and associates	**(5,214)**	(35,850)
Share of profits less losses of joint ventures	**18,624**	22,439
Share of profits less losses of associates	**18,919**	(1,213)
Fair value gain on investment properties	**(98,939)**	(175,777)
Interest income	**(117,684)**	(84,275)
Interest expense	**49,625**	20,976
Investment income	**(9,932)**	(4,225)
Fair value loss on financial assets at fair value through profit or loss	**3,694**	3,099
Fair value loss/(gain) on derivative financial instruments	**46,787**	(37,801)
Decrease in other long-term assets	**6,385**	5,014
Increase/(decrease) in other long-term liabilities	**77,474**	(15,566)
Impairment of property, plant and equipment	**10,372**	145
Increase in accounts receivable	**(103,067)**	(149,992)
(Increase)/decrease in prepayments, deposits and other receivables	**(92,616)**	3,373
(Increase)/decrease in inventories	**(462)**	274
Increase in amounts due from related companies	**(3,990)**	(50,064)
Decrease in self-produced programmes	**3,236**	2,746
(Decrease)/increase in accounts payable, other payables and accruals	**(10,664)**	306,149
Decrease in deferred income	**(17,560)**	(16,080)
Cash generated from operations	**515,472**	1,314,194

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

39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries

During the year ended 31 December 2015, the Group disposed a subsidiary (the "Disposal").

Summary regarding the Disposal completed during the year ended 31 December 2015 is as follows:

	2015 $'000
Total consideration satisfied by:	
Cash received	5,470
Net assets disposed of	(10,864)
Release of exchange reserve upon disposal	5,813
Gain on disposal of a subsidiary recognised in profit and loss (Note 6)	419

Aggregate net cash outflows arising from the Disposals during the year ended 31 December 2015:

	2015 $'000
Cash consideration received	5,470
Bank balances and cash disposed of	(10,486)
	(5,016)

39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (Continued)

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.

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 17)	45,852
	46,110
Net assets disposed of	(10,260)
Gain on disposal of subsidiaries recognised in profit and loss (Note 6)	35,850

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

39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (Continued)

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)

40. 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 2015, PNM had repurchased an aggregate of 1,347,071 American Depository Shares ("ADSs") (2014: 4,021,073 ADSs) at an aggregate cost of approximately US$10,753,000 (HK$81,629,000) (2014: US$39,247,000 (HK$305,049,000)), 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.

During the year ended 31 December 2015, as a result of the vesting of restricted shares units, the exercise of share options by the option holder and the repurchase of ADSs, the Group's equity interest in PNM was increased from 54.75% to 55.61%. The Group recognised a deemed net loss of approximately HK$13,065,000 in the equity attributable to owners of the Company and a decrease in non-controlling interests of HK$49,492,000 for the year ended 31 December 2015.

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.

40. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONTINUED)

(b) Acquisition of additional equity interests in Phoenix Oriental (Beijing) Properties Company Limited

On 19 August 2015, Phoenix Pictures Limited ("Phoenix Pictures") entered into: (i) an equity transfer agreement with non-controlling shareholders of Phoenix Oriental (Beijing) Properties Company Limited ("Phoenix Oriental"), in relation to the acquisition of additional 20% equity interests in Phoenix Oriental for a cash consideration of RMB145,735,000 (equivalent to approximately HK$175,071,000) with reference to the appraised value of the Phoenix International Media Centre (the "Acquisition") and (ii) a shareholders' loan agreement with Phoenix Oriental in relation to advance of a shareholders' loan in the amount of RMB99,665,000 (approximately HK$120,764,000), 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 non-controlling shareholders (the "Shareholders' loans"). Upon completion of the Acquisition on 23 December 2015, Phoenix Pictures increased its equity interest in Phoenix Oriental from 50% to 70%. The Shareholders' loans have not been repaid as at 31 December 2015 and a balance of HK$77,474,000 has been included in "Other long-term liabilities". The Shareholders' loans were subsequently repaid on 13 January 2016.

The Group recognised a decrease in non-controlling interests of HK$127,879,000 and a decrease in equity attributable to owners of the Company of HK$47,192,000. The effect of changes in the ownership interest of Phoenix Oriental on the equity attributable to owners of the Company during the year is summarised as follows:

	2015 **$'000**
Carrying amount of non-controlling interests acquired	**127,879**
Consideration paid to non-controlling interests	**(175,071)**
Excess of consideration paid recognised within equity	**(47,192)**

41. COMMITMENTS

(a) Service charges

As at 31 December 2015, the Group had committed service charges payable under various agreements as follows:

	2015 **$'000**	2014 $'000
Not later than one year	**19,568**	23,610
Later than one year and not later than five years	**71,646**	87,254
Later than five years	**–**	4,006
	91,214	114,870

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

41. COMMITMENTS (CONTINUED)

(b) Operating leases

As at 31 December 2015, the Group had rental commitments under various operating leases. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2015 **$'000**	2014 $'000
Not later than one year	**174,566**	269,279
Later than one year and not later than five years	**360,649**	590,312
Later than five years	**95,758**	132,403
	630,973	991,994

(c) Capital commitments

As at 31 December 2015, the Group had capital commitments as follows:

	2015 **$'000**	2014 $'000
Contracted but not provided for	**16,386**	34,339

(d) Other commitments

As at 31 December 2015, the Group had other operating commitments under various agreements as follows:

	2015 **$'000**	2014 $'000
Not later than one year	**80,790**	186,150
Later than one year and not later than five years	**39,950**	52,585
	120,740	238,735

42. RELATED PARTY TRANSACTIONS

(i) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

	Note(s)	**2015 $'000**	2014 $'000
Service charges received/receivable from the "CMCC Group"	a, b	**199,842**	218,250
Service charges paid/payable to the CMCC Group	a, c	**57,521**	52,233
Advertising sales to the CMCC Group	a, d	**42,845**	56,731
License fee received/receivable from 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")	e, f	**3,822**	–
Advertising sales to LLT	e, g	**29,858**	–
Rental charge received from LLT	e, h	**121**	–
Key management compensation	iii	**45,116**	42,313

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

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures: (Continued)

Notes:

(a) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.66% of the issued share capital of the Company.

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

(c) Service charges paid/payable to CMCC Group related to video cost which are charged based on terms specified in the agreements.

(d) 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.

(e) The controlling shareholder of LLT is a close family member of the Chairman of the Board and the Chief Executive Officer of the Company.

(f) The license fee received/receivable from LLT related to grant of license of domain name to LLT is charged based on terms specified in the agreement.

(g) Advertising sales to LLT are related to airtime advertising and programme sponsoring on channels and internet advertising sales based on terms specified in the agreements.

(h) The rental charge received from LLT related to rental on part of the exhibition area used by PNM.

(ii) Year end balances arising from related party transactions as disclosed in Note 42(i) above were also disclosed in Note 25.

(iii) Key management compensation

	2015 **$'000**	2014 $'000
Salaries	**22,882**	21,081
Discretionary bonuses	**1,142**	9,141
Housing allowance	**7,500**	6,973
Pension costs	**1,745**	1,631
Share-based compensation expense	**11,847**	3,487
	45,116	42,313

43. Investments in Particle Inc.

(a) In September 2014, PNM entered into an agreement (the "Agreement") to purchase a number of Series B Preferred Shares of Particle Inc. 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 Series B 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 Series B 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 Series B Preferred Shares are redeemable on the occurrence of certain events as specified in the Agreement.

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

- debt component (recognised as available-for-sale financial assets) (Note 27)
- derivative component (recognised as derivative financial instrument) (Note 38)

(b) In November 2014, 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 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 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 in 2014.

(c) In February 2015, PNM entered into an agreement to purchase a number of Series C Preferred Shares of Particle Inc. for a consideration of US$30,000,000 (approximately HK$232,722,000). The terms of Series C Preferred Shares are similar to that of Series B Preferred Shares except that Series C Preferred Shares will be entitled to receive in preference to any payment of dividend and distribution of assets or surplus funds upon liquidation over Series B Preferred Shares and ordinary shares. The Series C Preferred Shares have also been accounted for as a compound financial instrument in accordance with HKAS 39 (see Note (a)).

On the same date, PNM entered into another agreement (the "Purchase Agreement") with certain existing shareholders of Particle Inc. to purchase a number of ordinary shares and Class A ordinary shares of Particle Inc. for a consideration of US$27,547,000 (approximately HK$213,693,000). Both transactions were completed on 29 April 2015 (the "Closing Date").

According to the Purchase Agreement, Particle Inc. repurchased each ordinary share and each Class A ordinary share held by PNM and issued one Series C Preferred Share for each such ordinary share or Class A ordinary share on the Closing Date. As a result, the previously held ordinary shares by PNM, which were accounted for as investment in an associate (see Note (b)), were deemed as disposed and a gain of approximately HK$4,795,000 for these transactions was recorded in the consolidated income statement (Note 6). Upon completion of these transactions, PNM holds approximately 49.02% of equity interests in Particle Inc. on an as-if converted basis. Under the Purchase Agreement, the voting agreement signed between PNM and certain ordinary shareholders of Particle Inc. will become effective, subject to Yidianzixun mobile application, a product of Particle Inc., meeting certain operating metrics and the completion of certain procedures, upon which the effective voting power of PNM in Particle Inc.'s board may be increased.

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

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2015 $'000	2014 $'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**117,072**	115,734
Current assets		
Cash and cash equivalents	**271**	2,442
Amounts due from subsidiaries, net	**1,923,769**	923,769
	1,924,040	926,211
Total assets	**2,041,112**	1,041,945
EQUITY		
Equity attributable to owner of the Company		
Share capital	**500,099**	499,769
Reserves (Note (a))	**1,165,925**	361,861
Total equity	**1,666,024**	861,630
LIABILITIES		
Current liabilities		
Other payables and accruals	**588**	585
Amounts due to subsidiary	**374,500**	179,730
Total liabilities	**375,088**	180,315
Total equity and liabilities	**2,041,112**	1,041,945

LIU Changle
Director

CHUI Keung
Director

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a)

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

	Share premium $'000	Employee share-based payment reserve $'000	Retained earnings $'000	Total $'000
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	–	–	(254,867)	(254,867)
Share-based compensation expenses	–	8,475	–	8,475
At 31 December 2014	**38,973**	**109,622**	**213,266**	**361,861**
Exercise of share options	**8,454**	**(2,213)**	**–**	**6,241**
Lapse of share options	**2,192**	**(2,192)**	**–**	**–**
Profit for the year	**–**	**–**	**996,524**	**996,524**
Dividends related to 2014	**–**	**–**	**(200,040)**	**(200,040)**
Share-based compensation expenses	**–**	**1,339**	**–**	**1,339**
At 31 December 2015	**49,619**	**106,556**	**1,009,750**	**1,165,925**

45. BENEFITS AND INTEREST OF DIRECTORS

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2015 is set out below:

		As director (note (i))							
	Name of Director	Fees $'000	Salaries $'000	Discretionary bonus $'000	Estimated money value of other benefits $'000	Housing allowance $'000	Employer contribution to a retirement benefit scheme $'000	As management (note (ii)) $'000	Total $'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	**9,645**	**9,645**
2.	CHUI Keung	–	–	–	–	–	–	**4,634**	**4,634**
3.	WANG Ji Yan	–	–	–	–	–	–	**3,971**	**3,971**
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	–	–	–	–	–	–	–	–

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Consolidated Financial Statements

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

45. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

The remuneration of every Director for the year ended 31 December 2014 is set out below (restated):

		As director (note (i))							
	Name of Director	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Housing allowance	Employer contribution to a retirement benefit scheme	As management (note (ii))	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1.	LIU Changle (Chief Executive Officer)	–	–	–	–	–	–	11,961	11,961
2.	CHUI Keung	–	–	–	–	–	–	6,107	6,107
3.	WANG Ji Yan	–	–	–	–	–	–	4,346	4,346
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	–	–	–	–	–	–	–	–

As of 31 December 2015, Mr. LIU Changle had outstanding share options of the Company to purchase 4,900,000 (2014: 4,900,000) shares at HK$2.92 per share, Mr. CHUI Keung had outstanding share options of the Company to purchase 3,900,000 (2014: 3,900,000) shares at HK$2.92 per share and Mr. Wang Ji Yan had outstanding share options of the Company to purchase 3,900,000 (2014: 3,900,000) shares at HK$2.92 per share. No options were exercised during 2015.

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes, housing allowance and value of the share option. The value of the share options granted to the directors of the Company under the share option schemes of the Company represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

45. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(iii) No director waived or agreed to waive any emoluments during the year.

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2014: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: None).

46. COMPARATIVE FIGURES

Certain of the 2014 comparative figures of material non-controlling interests have been reclassified to conform to the current year's presentation.

47. SUBSEQUENT EVENT

The board of directors of PNM has authorized PNM to grant unsecured term loans to Particle Inc. on or before 31 May 2016 in an aggregate principal amount of up to US$20 million at an interest rate of 4.35% per annum and with a term of twelve months. PNM has granted all of US$20 million to Particle Inc. subsequent to year end. Particle Inc. is required to use the proceeds of the loans for its ordinary course working capital requirements.