

CHAIRMAN'S STATEMENT



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Financial Summary

- **Revenue for the year ended 31 December 2017 was approximately HK\$3,957,487,000, which represented an increase of 4.2% over the previous year.**
- **Profit attributable to owners of Phoenix Media Investment (Holdings) Limited (the "Company") was approximately HK\$286,248,000, which represented an increase of 24.2% over the previous year.**
- **The board of directors of the Company (the "Board") recommended a final dividend of 1 Hong Kong cent per ordinary share of the Company ("Share(s")).**

Results

The revenue of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 was approximately HK\$3,957,487,000 (year ended 31 December 2016: HK\$3,798,273,000), which represented an increase of 4.2% over the previous year. Although traditional media trading environment is still critical, revenue from both outdoor media business and internet media business were increased. The operating costs have increased by 5.9% to approximately HK\$3,829,558,000 (year ended 31 December 2016: HK\$3,617,143,000) over the previous year. Increase in operating costs was primarily due to increase in advertising and promotion cost of internet media business.

The operating profit of the Group for the year ended 31 December 2017 was approximately HK\$127,929,000 (year ended 31 December 2016: HK\$181,130,000), which represented a decrease of 29.4% over the previous year.

Fair value gain on derivative financial instruments related to subsequent measurement of internet media's investment in Particle Inc. for the year ended 31 December 2017 was approximately HK\$285,352,000 (year ended 31 December 2016: HK\$182,050,000).

Fair value gain of approximately HK\$44,868,000 (year ended 31 December 2016: HK\$21,127,000) was recognized for the investment properties in Beijing and London.

The net exchange gain of the Group for the year ended 31 December 2017 was approximately HK\$8,083,000 (year ended 31 December 2016: loss HK\$55,812,000) mainly resulting from the appreciation of the Renminbi.

The profit attributable to owners of the Company was approximately HK\$286,248,000 (year ended 31 December 2016: HK\$230,515,000), which represented an increase of 24.2% over the previous year.

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The chart below summarises the performance of the Group for the year ended 31 December 2017 and the year ended 31 December 2016 respectively.

	Year ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Television broadcasting	1,336,615	1,430,947
Internet media	1,733,094	1,629,661
Outdoor media	721,436	610,295
Real estate	29,464	27,606
Other businesses	136,878	99,764
Group's total revenue	3,957,487	3,798,273
Operating costs	(3,829,558)	(3,617,143)
Operating profit	127,929	181,130
Fair value gain on investment properties	44,868	21,127
Net gain on internet media investment		
Fair value gain on derivative financial instruments	285,352	182,050
Interest income	136,124	101,611
Exchange gain/(loss), net	8,083	(55,812)
Gain on deemed disposal of a subsidiary	5,007	49,344
Other income, net	16,812	18,225
Profit before share of results of joint ventures and associates, income tax and non-controlling interests	624,175	497,675
Share of results of joint ventures and associates	(13,743)	(17,852)
Income tax expense	(89,579)	(81,809)
Profit for the year	520,853	398,014
Non-controlling interests	(234,605)	(167,499)
Profit attributable to owners of the Company	286,248	230,515
Basic earnings per share, Hong Kong cents	5.73	4.61

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Business Overview and Prospects

The Group experienced steady growth in 2017 with its omni-media business structure continuously becoming more integrated and innovative. Determined to upgrade its strategies, the Group has been developing budding businesses in emerging industries and has continuously received awards including “China’s 500 Most Valuable Brands”, “Asia’s 500 Most Influential Brands”, “The World’s 500 Largest Media Companies”, and the “Phoenix TV” brand retains its credibility and wide influence, with the Chinese language media across the globe.

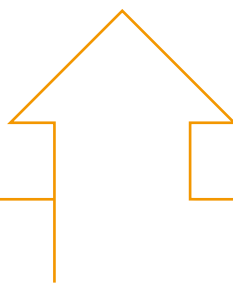
On 7 March 2018, “Phoenix Satellite Television Holdings Limited” was renamed “Phoenix Media Investment (Holdings) Limited”, to reflect the Group’s decades of media experience, its adherence to the totemic brand of “Phoenix TV”, and its proactive responsiveness to the Group’s reform of strategies, tactics and management mechanism for future development.

Based in Hong Kong with nearly 60 news bureaux and correspondent stations worldwide, Phoenix TV delivers first-hand news to the Chinese audience globally and adheres to the integrated news reporting standards of “Chinese perspective”, “patriotic sentiment”, “live-broadcasting as a priority” and “exclusivity and uniqueness”. In 2017, our global Phoenix TV team witnessed and reported world events such as China’s Great Power Diplomacy, the 19th National Congress of the Communist Party of China, the 20th anniversary of Hong Kong’s return to China, United States President Donald Trump’s visit to China, the Korean Peninsula nuclear issue, etc., drawing widespread attention and applause from Chinese communities.

The Group’s television broadcasting business, following the philosophy of “omni-media distribution service”, is now innovating creative content production and restructuring the programme presentation. The Group also seeks to provide customized programme content and services for its clients and has established strategic partnership with a number of leading companies in China. Meanwhile, the Group has expanded its global distribution channels to reach audiences worldwide through satellite, cable networks, mobile internet, over-the-top platforms and social media, satisfying the demands from groups using distinct devices. Built on the Phoenix TV brand and taking advantage of its international reputation, the “Phoenix Global Brand Project” assists our strategic partners to explore global markets and build internationally known brands.

The Group takes “ifeng.com” as its core internet media platform and strengthens its mobile strategies to enhance its influence and its ability to monetize mobile traffic. The flagship product “ifeng News APP” has become one of the most popular news apps in China. At the same time, while exploring media patterns based on big data, artificial intelligence and cloud computing, the Group strategically invested in Yidian Zixun, an information platform featuring individual customized, information and news feed functions. In October 2017, Yidian Zixun became the first media platform to obtain from the PRC government the “Internet News Information Service Licence”, which allow it to provide reproduction and communication platform services of online news and information not only on its website, but also on its mobile APP and self-media platforms. Yidian Zixun has now been developed as a highly competitive media platform.

Through continuous efforts in the past 10 years, the Group’s outdoor media platform “Phoenix Metropolis Media” has grown into the largest and most influential outdoor LED media operator in mainland China emphasizing innovation and development, and achieved significant growth in both revenue and profits in 2017. Following the launch of the Phoenix LED Alliance, the naked-eye 3D big screen video advertising and mobile marketing system have been well-received by customers and have maintained its leading position in the industry.



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On the basis of continuing to adhere to and maintain its role as a leading Chinese media content provider, the Group relies on the Phoenix brand and high-end contents and leverages on forefront digital technology to incubate and continuously invest in projects that are valuable and based on sustainable business models. The Group now has a diversified portfolio of business covering animated comics, games, digital technologies, creative culture, cloud technology services, education, exhibitions and other fields.

The digital technology business of Phoenix is committed to represent the beauty of Chinese culture and art to the rest of the world by combining cutting-edge digital technology and culture. The Group achieved strategic cooperation with the Palace Museum, through which both parties will jointly hold a virtual-reality tour of the scene depicted in the painting "Along the River during the Qingming Festival" ("清明上河圖") in 2018. An indoor "LEJOY" theme park focusing on children education and "the Experience Hall of Virtual Reality Arena" positioned on e-sports, are already in operation.

"Phoenix Entertainment", a platform focused on the animated comics and games business, has obtained the copyrights to adapt the martial arts novels written by Mr. Jin Yong into comic format. We cooperated with "Tencent Comic" (騰訊動漫), the largest animated comics platform in China, to jointly launch three adapted comics – *Demi-Gods and Semi-Devils* (《天龍八部》), *The Smiling, Proud Wanderer* (《笑傲江湖》), and *Fox Volant of the Snowy Mountain* (《雪山飛狐》). With this foundation, our objective is to establish an all-rounded business surrounding the animated comics IP. In addition, a few mobile game products will be launched as well in 2018.

Other business segments of the Group have also been growing. iFeng Yun, a high-speed document transfer internet product developed by our cloud technology business unit, has a promising future in the film and television industry. The creative culture business unit is on the right track to expand in the arts (USALT APP platform), performance and culture tourism fields. Our educational business unit is working with hundreds of universities to offer digital technology-based distant learning courses; our exhibition unit has held exhibitions to promote domestic companies overseas, with the International Chinese Medicine Cultural Festival as an iconic project. In line with the urbanization trend in China, the Group is exploring some scaled creative cultural pilot projects with brand effects such as "cultural towns" and "cultural and creative bases". The Group has also achieved progress in the areas of internet finance and publishing.

In the post-information era driven by internet technology, Phoenix is well positioned to embrace technology advances, reformation and the future; and to accelerate changes in our strategies, business models, mechanism and products. Also, to highly value the in-depth integration of capital market and business development, a Phoenix Cultural Media Industrial Fund is established to support the strategic enhancement.

In the face of these dramatic changes, being innovative is the only way for Phoenix to achieve continuous success and new momentum. The Group will as always continue to adhere to the competitiveness of its brand and content, espouse professional journalism, and ultimately maximize the value of the Group for our shareholders and faithful audience.