

PRESS RELEASE

Phoenix Satellite Television Holdings Limited

(Stock Code: 02008)

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2016

The Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited, Mr. Liu Changle, said today that although disappointed by the decline in the Group's income over the last six month period, he was optimistic about the Group's long-term prospects, as it increased the coordination between program production and advertising and continued to expanded its business model to include an extremely popular new media business. The Group's revenue for the six-month period ended 30 June 2016 was approximately HK\$1,708,296,000, which represented a decrease of 11.9% over the same period last year. Loss attributable to owners of the Company was approximately HK\$36,254,000, which represented an increase of 57.0% in comparison with the same period last year.

FINANCIAL REVIEW

The revenue of the Group for the Period was approximately HK\$1,708,296,000 (six months ended 30 June 2015: HK\$1,939,248,000), which represented a 11.9% decrease in comparison with the same period last year. The slowdown of the Chinese economy has had a negative effect on Phoenix's overall revenue. The operating costs for the Period decreased by 5.9% to approximately HK\$1,791,202,000 (six months ended 30 June 2015: HK\$1,902,853,000).

The operating loss of the Group for the Period was approximately HK\$82,906,000 as compared to an operating profit of HK\$36,395,000 for the six months ended 30 June 2015 which was primarily driven by the decline on overall revenue with operating costs remaining stable. Even operating at a loss, the financial position of the Group remained solid and liquid with cash and unpledged bank deposits totalling about HK\$2,862,980,000 as at 30 June 2016 (as at 31 December 2015: HK\$3,004,839,000).

Fair value gain of approximately HK\$7,117,000 (six months ended 30 June 2015: HK\$74,946,000) was recognised for the investment property in Beijing and fair value loss of approximately HK\$45,000 (six months ended 30 June 2015: fair value gain of HK\$2,182,000) was recognised for the investment property in London.

The net exchange loss of the Group for the Period was approximately HK\$23,142,000 (six months ended 30 June 2015: HK\$22,080,000) mainly resulting from the depreciation of Renminbi.

The loss attributable to owners of the Company for the Period was approximately HK\$36,254,000 (six months ended 30 June 2015: HK\$23,099,000).

The chart below summarises the performance of the Group for the six months ended 30 June 2016 and same period in 2015.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Television broadcasting	654,966	703,435
New media	767,695	937,525
Outdoor media	231,312	252,371
Real estate	15,698	9,589
Other businesses	38,625	36,328
Group's total revenue	1,708,296	1,939,248
Operating costs	(1,791,202)	(1,902,853)
Operating(loss)/profit	(82,906)	36,395
Fair value gain on investment properties, net	7,072	77,128
Net gain on new media investment		
Fair value loss on derivative financial instruments	(24,424)	(1,353)
Interest income	45,235	–
Gain on disposal of an associate	–	4,795
Exchange loss, net	(23,142)	(22,080)
Write back of provision/(provision) for impairment of amounts due from joint ventures	1,223	(22,988)
Gain on deemed disposal of a subsidiary	49,344	–
Other income/(expense), net	4,056	(1,172)
(Loss)/profit before share of results of joint ventures and associates, income tax and non-controlling interests	(23,542)	70,725
Share of results of joint ventures and associates	(6,816)	(28,261)
Income tax expense	(20,167)	(58,761)
Loss for the period	(50,525)	(16,297)
Non-controlling interests	14,271	(6,802)
Loss attributable to owners of the Company	(36,254)	(23,099)
Basic loss per share, Hong Kong cents	(0.72)	(0.46)

BUSINESS OVERVIEW AND PROSPECTS

The slowdown of the Chinese economy and in particular the impact on the market for luxury goods has continued to have a negative effect on Phoenix's overall income. In response to this trend, one of the major steps that Phoenix has taken has been to increase the coordination between program production and advertising marketing, in order to ensure that the programs that Phoenix channels produce and broadcast all have an appeal to potential advertisers.

While Phoenix has faced serious economic challenges, the Group has continued to enjoy a very high status on the global stage. On 31 March this year, Phoenix celebrated its 20th anniversary, and held a series of celebratory events. The Hong Kong SAR Chief Executive Leung Chun Ying and the director of the Central Government Liaison Office, Mr. Zhang Xiao Ming, were among a large number of guests who attended the celebration held at the Phoenix headquarters in Hong Kong. The Secretary-General of the United Nations, Mr Ban Ki Moon, sent a congratulatory message to Phoenix on its 20th anniversary, as did more than 30 international leaders from Taiwan, including the newly elected leader Tsai Ing-wen, Australia, Britain, the USA, Geneva, Sweden, Iran, the European Union, India, the Republic of Korea, Malaysia and Mauritius. In early May Phoenix held an International Day of Friendship at the Phoenix Centre in Beijing and over 100 ambassadors and representatives of international organizations attended that event.

Phoenix channels continued to provide extensive and detailed reporting of international events over the last six months. Phoenix reported extensively on the Taiwan elections, which led to the appointment of the DPP candidate Tsai Ing-wen as the new leader of Taiwan. China established its first international naval base in Djibouti, and Phoenix covered this development and a Phoenix reporter interviewed those involved in this project. Phoenix also reported extensively on President Xi Jinping's visit to Washington in late March and early April, when he met President Obama and discussed countering the terrorist threat and the maintenance of world peace and security. One of Phoenix's reporters in Washington also conducted an exclusive interview with Secretary of State John Kerry, which focused on the broad context of the China-US relationship and was also broadcasted on a number of other media outlets. Phoenix also reported on President Xi's visit to Slovakia, Poland, and Uzbekistan, where he attended the 16th meeting of the heads of state of the countries which form the Shanghai Cooperation Organisation.

Besides reporting on developments relating to the Greater China region, Phoenix has also covered a wide range of regional and international events. Phoenix covered the follow up to by the Belgian and French police to the terrorist bombing at Brussels airport in 2014 and on 15 March reported on the conflict with the terrorists in Brussels, which led to one being killed and four injured. In March, Myanmar held elections which resulted in the appointment of Aung San Suu Kyi to a senior government post, which Phoenix reported in detail. Another major regional development that Phoenix covered was the Presidential election in the Philippines, which saw the election of Rodrigo Duterte, the Mayor of Davos, whose victory is likely to bring a significant change to the Philippines' approach to regional politics, including the South China Sea issues. The significance of the contribution that Phoenix makes to communication between China

and the outside world was recognized when Cambridge University named a garden after Theresa Fu Xiaotian, who hosts the program “Talk with World Leaders” that provides a platform for international political and cultural figures to communicate with the Chinese audience.

The Group has taken counter-measures against the shift of viewership from television to new media platforms. In particular, Phoenix New Media’s flagship ifeng news app continues to see strong progress in terms of content enrichment, vertical integration and video traffic. This point of confluence firmly places ifeng uniquely at the leading edge of both technology and serious journalism. With mobile devices having become the major gateway for content consumption, Phoenix New Media will continue to focus on expanding its user base across its differentiated mobile apps, optimizing its targeting technology and integrating next-generation high-efficiency ad solutions.

Phoenix Chinese Channel has responded to the changing business environment by reviewing programmes and seeking to meet the changing interests of the mass audience by introducing new material. This approach is conducted with a long-term view, and only leads to the production of new programmes after careful consideration of audience preferences. But the Group is confident that in due course this will have a positive effect on the Group’s financial situation.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTS ON SEGMENTAL INFORMATION

	Six months ended 30 June			
	2016		2015	
	Revenue	Segment	Revenue	Segment
	HK\$’000	results	HK\$’000	results
		HK\$’000		HK\$’000
Television broadcasting	654,966	144,179	703,435	168,882
New media	767,695	34,423	937,525	52,589
Outdoor media	231,312	(25,736)	252,371	20,013
Real estate	15,698	(34,089)	9,589	32,977
Other businesses	38,625	15,731	36,328	(60,659)
Group’s total revenue and segment results	<u>1,708,296</u>	<u>134,508</u>	<u>1,939,248</u>	213,802
Unallocated income		17,279		28,683
Unallocated expenses		(175,329)		(171,760)
(Loss)/profit before share of results of joint ventures and associates, income tax and non-controlling interests		<u>(23,542)</u>		<u>70,725</u>

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 38.3% of the total revenue of the Group for the Period, decreased by 6.9% to approximately HK\$654,966,000 (six months ended 30 June 2015: HK\$703,435,000). The decline in the demand for luxury goods in China has led to a decrease in the advertising income of the television broadcasting business. The segmental result for television broadcasting business recorded a profit of approximately HK\$144,179,000 for the Period (six months ended 30 June 2015: HK\$168,882,000).

The revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 35.2% of the total revenue of the Group for the Period, decreased by 6.3% to approximately HK\$601,818,000 (six months ended 30 June 2015: HK\$642,141,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased by 13.3% to approximately HK\$53,148,000 as compared to the same period last year (six months ended 30 June 2015: HK\$61,294,000).

The revenue of the new media business for the Period decreased by 18.1% to approximately HK\$767,695,000 (six months ended 30 June 2015: HK\$937,525,000) due to the decrease in portal advertising revenues and mobile value-added services resulting from the decrease in user demands. The segmental profit of new media business for the Period decreased by 34.5% to approximately HK\$34,423,000 (six months ended 30 June 2015: HK\$52,589,000). Decrease in segmental profit was primarily due to the decrease in revenue, increase in mobile traffic acquisition expenses and bad debt provision, which were partially offset by the decrease in revenue sharing fee, decrease in impairment loss from amount due from joint ventures, and increase in net gain related to subsequent measurement of the investment in Particle Inc.

The revenue of outdoor media business for the Period decreased by 8.3% to approximately HK\$231,312,000 (six months ended 30 June 2015: HK\$252,371,000). The segmental loss of outdoor media business for the Period was approximately HK\$25,736,000 (six months ended 30 June 2015: segmental profit of HK\$20,013,000).

The segmental loss for real estate for the Period was approximately HK\$34,089,000 (six months ended 30 June 2015: segmental profit of HK\$32,977,000), which mainly comprises of depreciation and interest expenses. The segmental result for real estate had turned a profit into loss primarily due to a decrease of fair value gain of investment properties to approximately HK\$7,072,000, as compared to HK\$77,128,000 for the six months ended 30 June 2015.

Phoenix Satellite Television Holdings Limited
19 August 2016

ABOUT PHOENIX

Phoenix Chinese Channel began to broadcast on 31 March 1996, with the philosophy of “reducing the distance within the global Chinese community and expressing the voice of Chinese to the world”, and striving to provide Chinese everywhere with high quality Mandarin Chinese television programming. Through twenty years of hard work, Phoenix has developed from being a one-channel station to a multi-channel television broadcaster, with the Phoenix Chinese Channel, Phoenix InfoNews Channel, Phoenix Hong Kong Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and Phoenix Movies Channel. These six channels currently have an audience in excess of 360 million worldwide, covering more than 180 countries and regions, with 56 news bureaus and production teams located worldwide.

Phoenix has now evolved into an omni-media corporate group, with an internet website (www.ifeng.com), has been ranked top in broadcasting platform, ahead of BBC.com, CNN.com, etc., and tops clicking of all internet news providers. The Group also simultaneously develops its diversified business including internet, a weekly magazine, an outdoor Mega LED advertising business, and publishing, education projects, culture, finance and game etc..

The mission of the group is to offer varied, high-quality content to the global Chinese population.

Phoenix Satellite Television Holdings Limited is listed on the Main Board of The Stock Exchange of Hong Kong.

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