

PRESS RELEASE

Phoenix Satellite Television Holdings Limited (Stock Code: 02008)

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2017

The Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited, Mr. Liu Changle, said today that the Group's revenue for the six-month period ended 30 June 2017 was approximately HK\$1,594,557,000, which represented a decrease of 6.7% over the same period last year. The profit attributable to owners of the Company was approximately HK\$74,220,000, compared to a loss attributable to owners of the Company of approximately HK\$36,254,000 during the same period last year. In short, as the Group expanded into new areas, Mr. Liu was very confident about the future of the business.

FINANCIAL REVIEW

The revenue of the Group for the Period was approximately HK\$1,594,557,000 (six months ended 30 June 2016: HK\$1,708,296,000), which represented a 6.7% decrease in comparison with the same period last year, as cross-media placement and cross-platform measurement are becoming more important for marketers to engage with consumers over the various screens and devices they use. The operating costs for the Period have decreased by 3.6% to approximately HK\$1,726,323,000 (six months ended 30 June 2016: HK\$1,791,202,000).

The operating loss of the Group for the Period was approximately HK\$131,766,000 (six months ended 30 June 2016: HK\$82,906,000) which represented an increase in the operating loss of 58.9% compared to the previous year.

Fair value gain on derivative financial instruments related to subsequent measurement of new media's investment in Particle Inc. for the Period was approximately HK\$275,073,000 (six months ended 30 June 2016: loss of HK\$24,424,000). Particle Inc. is a strategic investment of Phoenix New Media and it mainly operates the Yidian Zixun mobile APP featuring personalized interest-based information and news feed function targeting the mass market.

The net exchange loss of the Group for the Period was approximately HK\$3,474,000 (six months ended 30 June 2016: HK\$23,142,000) mainly resulting from the depreciation of Renminbi ("RMB").

The profit attributable to owners of the Company for the Period was approximately HK\$74,220,000 (six months ended 30 June 2016: loss of HK\$36,254,000).

The chart below summarises the performance of the Group for the six months ended 30 June 2017 and the same period in 2016.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Television broadcasting	551,343	654,966
New media	740,620	767,695
Outdoor media	260,248	231,312
Real estate	6,143	15,698
Other businesses	36,203	38,625
Group's total revenue	1,594,557	1,708,296
Operating costs	(1,726,323)	(1,791,202)
Operating loss	(131,766)	(82,906)
Fair value gain on investment properties, net	7,049	7,072
Net gain on new media investment		
Fair value gain/(loss) on derivative financial instruments	275,073	(24,424)
Interest income	62,532	45,235
Exchange loss, net	(3,474)	(23,142)
Write back of provision for impairment of amounts due from joint ventures	–	1,223
Gain on deemed disposal of a subsidiary	–	49,344
Other income, net	24,196	4,056
Profit/(loss) before share of results of joint ventures and associates, income tax and non-controlling interests	233,610	(23,542)
Share of results of joint ventures and associates	(16,641)	(6,816)
Income tax expense	(12,908)	(20,167)
Profit/(loss) for the period	204,061	(50,525)
Non-controlling interests	(129,841)	14,271
Profit/(loss) attributable to owners of the Company	74,220	(36,254)
Basic earnings/(losses) per share, Hong Kong cents	1.49	(0.72)

COMMENTS ON SEGMENTAL INFORMATION

	Six months ended 30 June			
	2017		2016	
	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Television broadcasting	551,343	74,768	654,966	144,179
New media	740,620	324,337	767,695	34,423
Outdoor media	260,248	(2,223)	231,312	(25,736)
Real estate	6,143	(26,306)	15,698	(34,089)
Other businesses	36,203	(29,592)	38,625	15,731
Group's total revenue and segment results	<u>1,594,557</u>	<u>340,984</u>	<u>1,708,296</u>	<u>134,508</u>
Unallocated income		24,846		17,279
Unallocated expenses		<u>(132,220)</u>		<u>(175,329)</u>
Profit/(loss) before share of results of joint ventures and associates, income tax and non-controlling interests		<u>233,610</u>		<u>(23,542)</u>

Revenue from television broadcasting, comprising advertising, subscription and other revenue sources, which accounted for 34.6% of the total revenue of the Group for the Period, decreased by 15.8% to approximately HK\$551,343,000 (six months ended 30 June 2016: HK\$654,966,000). The presence of new media has continued to pose a challenge to conventional media. Due to the relatively fixed cost structure, the segmental profit for television broadcasting business decreased to approximately HK\$74,768,000 for the Period (six months ended 30 June 2016: HK\$144,179,000).

The revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 31.3% of the total revenue of the Group for the Period, decreased by 17.1% to approximately HK\$498,611,000 (six months ended 30 June 2016: HK\$601,818,000).

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 0.8% to approximately HK\$52,732,000 as compared to the same period last year (six months ended 30 June 2016: HK\$53,148,000).

The revenue of the new media business for the Period decreased by 3.5% to approximately HK\$740,620,000 (six months ended 30 June 2016: HK\$767,695,000) due to the decrease in portal advertising revenues and mobile value-added services resulting from the decrease in user demands. The segmental profit for new media business for the Period was approximately HK\$324,337,000 (six months ended 30 June 2016: HK\$34,423,000). Increase in segmental result for new media was primarily due to the increase in net gain related to subsequent measurement of the investment in Particle Inc.

The revenue of the outdoor media business for the Period increased by 12.5% to approximately HK\$260,248,000 (six months ended 30 June 2016: HK\$231,312,000). The segmental loss of outdoor media business for the Period decreased by 91.4% to approximately HK\$2,223,000 (six months ended 30 June 2016: HK\$25,736,000).

The segmental loss for real estate business for the Period was approximately HK\$26,306,000 (six months ended 30 June 2016: HK\$34,089,000), which mainly comprises depreciation and interest expenses.

BUSINESS OVERVIEW AND PROSPECTS

Traditional television business worldwide continues to face challenges from the evolving media technology and the increasing popularity of new media and social media among viewers. Anticipating the disruptive changes in the audience viewing pattern, the Group has adopted an omni-channel distribution strategy, and now, besides the traditional satellite and cable distribution, the quality contents of Phoenix Satellite Television can reach the global audience by means of portal, mobile APPs, OTT, IPTV and social media. For the first half of 2017, the new media segment contributed 46.4% of the Group's revenue, the largest portion from all business segments, while the television broadcasting segment contributed 34.6%.

In the meantime, "Phoenix Satellite Television" is still the core brand of the Group which is well recognised among Chinese viewers with strong audience loyalty. It is also the main hub for producing quality media contents for the Group's different distribution channels. Phoenix Satellite Television continues to feature very attractive programs, with a great deal of accurate and objective reporting on global events and developments in the greater China region, and some in-depth interview and commentary programs. Management is therefore committed to devote resources in the television segment to maintain its competitiveness and to proactively improve performance of television business through a number of strategic sales initiatives. A series of large-scale advertising promotion fairs were held to increase exposure in the advertising market, strengthen customer relationships and attract new customers. The advertising sales approach is now reformed with a focus on designing tailor-made and one-stop advertising solutions for customers.

Under the omni-media strategy, the performance of the new media segment continues to be critical to the Group. Phoenix New Media Limited is listed on the New York Stock Exchange and operates a website “ifeng.com”. In response to the popularization of mobile devices and the change in audience viewing behavior, Phoenix New Media has implemented a comprehensive mobile strategy aiming to increase and monetize mobile traffic. A strategic investment in Yidian Zixun mobile APP was made in 2014, featured with personalized interest-based information and news feed functions targeting the mass market. Phoenix New Media has also developed the “ifeng News APP” that delivers serious journalism targeting high-end users.

Another major component of the Group is the outdoor media segment, which for the first half of 2017 contributed 16.3% of the Group’s revenue and continues to rank the third among all business segments. Phoenix Metropolis Media mainly runs an outdoor advertising business by means of large LED panels. It is also developing a new digital interactive business. One of these projects, LEJOY Park, an indoor theme park for children featured with scientific exploration enabled by creative interactive technology, was opened in Beijing in June 2017. Currently, the Group is considering the opportunity to spin-off and separately list its outdoor media segment on the Shenzhen Stock Exchange.

As a proactive risk management strategy, over the years the Group has diversified into a range of different businesses including entertainment & games, magazine, education, culture, exhibition, publication and others. Phoenix Entertainment, for example, the new entertainment & games segment, has successfully acquired the copyrights to produce animated comics for martial arts novels written by Mr. Louis Cha Leung-yung (pen name “Jin Yong”), a renowned Hong Kong martial arts novelist. Phoenix Entertainment is also developing mobile games which will be launched in the market later.

There is much evidence to suggest that in the long term the Group will emerge successfully from the current media industry challenge and the long term prospects of the Group are positive. The Group’s internal resources, competitive edge and core competencies remain strong, signified by its continuing brand influence, quality media contents, audience loyalty, credibility and healthy financial position. Looking ahead, the Group will stay alert to the opportunities and challenges of the media industry, actively embrace the advancement of technology and refine its strategies and business models to increase its competitiveness in the market.

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ABOUT PHOENIX

Phoenix Chinese Channel was launched on 31 March 1996, with the aim of offering quality content to Chinese communities around the world. The dynamism of this massive market, combined with successful expansion strategies, has allowed Phoenix to develop an omni-media group with a comprehensive multi-channel platform and a website which is ranked top as a broadcasting platform. Today, Phoenix Chinese, Phoenix InfoNews, Phoenix Chinese News and Entertainment, Phoenix North America Chinese, Phoenix Movies and Phoenix Hong Kong channels, have achieved global coverage, with 56 news bureaus and production teams located worldwide. 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 Limited.

For more information, please contact: –

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Further information about Phoenix Satellite Television Holdings Limited can be found at www.ifeng.com and www.hkexnews.hk