
CLARIFICATION ANNOUNCEMENT

The board of directors (the "**Board**") of Fung Choi Media Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's annual report (the "**2014 Annual Report**") for the financial year ended 30 June 2014 ("**FY2014**"), which was made available on the SGXNET. Singapore Exchange Securities Trading Limited (the "**SGX-ST**") has provided the following comments to the Board to seek clarification on certain matters in the 2014 Annual Report, to which the Board wishes to provide the clarifications as set out below:

Comment from the SGX-ST: Guideline 2.4 of the Code of Corporate Governance 2012 (the "Code") states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why such director should be considered independent. We note that Mr Ong Tiew Siam was appointed to the Board on 18 June 2004, making his tenure on the Board more than nine years from his first appointment. In this regard, please disclose if his appointment had been subjected to particularly rigorous review and explain why he should be considered independent.

As stated in the Corporate Governance Report (the "**CG Report**") of the 2014 Annual Report, Mr Ong Tiew Siam was first appointed as an independent director of the Company on 18 June 2004 and was last re-elected on 30 October 2012. Mr Ong is the chairman of the Audit Committee ("**AC**") and is a member of both the Nominating Committee ("**NC**") and the Remuneration Committee.

The Board wishes to clarify that the Board had considered Mr Ong's tenure as independent director of more than nine (9) years from the date of his first appointment, and in fact, Mr Ong had offered to voluntarily retire at the upcoming annual general meeting for this reason. However, in view of the currently challenging circumstances, Mr Ong subsequently decided to stand for re-election in order to see the Company through this difficult period.

In assessing the independence of Mr Ong and his ability to continue discharging the duties of an independent director of the Company, the NC Chairman noted that Mr Ong (other than as an independent director) does not have any business or personal relationships or dealings with the Company, its related corporations, its substantial shareholders or its officers, or any personal shareholding interest in the Company, which could interfere with the exercise of his independent judgment as a director. The Board is also of the view that Mr Ong has and continues to discharge his duties as an independent director fully and effectively, and has therefore concluded that Mr Ong is fully qualified to continue as an independent director of the Company.

Comment from the SGX-ST: Guideline 11.3 of the Code recommends that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. We note that the AC has recommended to the Board that they are of the opinion that the Group's internal controls addressing financial, operational and compliance risks may not be adequate as at 30 June 2014. In this regard, please disclose the Board's view of the particular areas of concerns and how it seeks to address and monitor these areas of concerns.

As stated under Principle 11 of the CG Report, the Group has outsourced its internal audit function to PricewaterhouseCoopers Hong Kong but there was no internal audit work carried out during FY2014 and therefore, no report was prepared by the internal auditors. In addition, there were questions raised by the external auditor KPMG LLP on certain supply chain management transactions entered into by the Company, for which Management has yet to provide satisfactory explanations to and the information requested by the AC. Accordingly, in view of the significance of this transaction to the Group's results, the AC has recommended to the Board that they are of the opinion that the Group's

internal controls addressing financial, operational and compliance risks may not be adequate as at 30 June 2014.

The Board wishes to explain that the areas of concern as highlighted above are the subject of the Board's ongoing investigations and the Board is currently still working with the external auditor to obtain adequate information on the matters above to form an informed view. As such, the Board will provide an update at an appropriate time, when it has obtained the necessary information.

Comment from the SGX-ST: The Company has disclosed on page 24 of the Annual Report that the Group has not established a comprehensive procedure to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are carried out at arm's length and on normal commercial terms that are not prejudicial to the interests of the shareholders. Please disclose how the Board seeks to address this matter.

As stated at page 24 of the 2014 Annual Report, the Group has not established a comprehensive procedure to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are carried out at arm's length and on normal commercial terms that are not prejudicial to the interests of the shareholders.

The Board wishes to clarify that the procedure for the identification of interested person transactions is primarily dependent on declarations by the directors, controlling shareholders and management of the Company to the Board where they have an equity interest in the counterparties with which the Group may undertake transactions, as such shareholding information is not typically readily independently verifiable. The Board will also undertake appropriate background checks on any counterparty which it has been notified, or otherwise has reason to suspect, is an interested person. Where a potential counterparty has been identified as an interested person of the Company, the transaction will be submitted to the AC for its review and that such transactions are carried out at arm's length and on normal commercial terms that are not prejudicial to the interests of the shareholders.

As previously announced, in the course of auditing certain transactions in the Company's supply chain management business, the external auditor had notified the Board of the possibility that the relevant counterparties may be interested persons, to which the Board had instructed the external auditor to assist in conducting further verifications. The external auditor has requested management to provide legal documentation to evidence that the counterparties are not interested persons, and management has represented to the Board that this is in progress.

Comment from the SGX-ST: Guideline 11.3 of the Code recommends that the Board should comment in the Company's Annual Report on whether it has received assurance from the CEO and the CFO: (i) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control system. Please disclose if the Board has received the relevant assurance from the CEO and the CFO or otherwise provide an explanation for any deviations.

The Board wishes to clarify that it did not receive separate written assurance from the President & Executive Director and the Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control system. However, the President & Executive Director of the Company has endorsed the financial statements, and this has been duly documented in the relevant Board resolutions. As previously announced, the position of the Chief Financial Officer has not been filled since 30 April 2014, and the existing Financial Controller has since resigned on 1 November 2014.

By Order of the Board
LAI Yuen Ling

President & Executive Director
14 November 2014