

FUNG CHOI MEDIA GROUP LIMITED

(Incorporated in Bermuda)

CLARIFICATION OF TRADING HALT

The board of directors (the "**Board**") of Fung Choi Media Group Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to provide clarification on the circumstances relating to its current trading halt.

1. **Appointment of Receiver over Fung Choi Printing Limited**

On the afternoon of 5 September 2014, the Board was made aware that Messrs Nicholas James Gronow and Fok Hei Yu (the "**Receivers**") have been appointed receivers of the entire issued share capital of Fung Choi Printing Limited ("**FCPL**"), a wholly-owned subsidiary incorporated in Hong Kong.

The Receivers were appointed by BCA Best Business Service Limited ("**Bondholder**"), the holder of the RMB denominated US dollar settled 9.0% bonds due 2016 in an aggregate principal amount of US\$30 million (the "**Bonds**"). The issue of the Bonds was announced on 3 December 2012.

The Board understands that in or about May 2014, the Bondholder alleged that an event of default had occurred under the terms of the Bonds. The management of the Company ("**Management**") did not agree that an event of default had occurred and entered into discussions with the Bondholder. A settlement was reached with the Bondholder and the terms of the Bonds were amended on 10 July 2014 as part of the settlement. Thereafter, Management and the Bondholder disagreed over certain payments to be made as part of the settlement (the "**Settlement Payment**").

2. **Sequence of Subsequent Events Leading Up to the Appointment of the Receivers**

The following events have been brought to the attention of the Board since 5 September 2014:

- a) The Bondholder issued an enforcement notice on 7 August 2014 addressed to the Company at its office address at Room 701, 7/F, Grand Centre, 8 Humphreys Avenue, Tsimshatsui, Kowloon, Hong Kong (the "**Enforcement Notice**"), giving notice that an event of default had occurred under the Bonds, namely that the Company had failed to pay interest for the interest period from 1 April 2014 to 30 June 2014. The Board was not aware of the Enforcement Notice as the Company had relocated from the premises at Grand Centre to its present location at Room 20A, 6/F, New Mandarin Plaza Tower B, 14 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong on 2 August 2014. Further, Management did not make payment of the Settlement Payment as the disagreement with the Bondholder was ongoing.
- b) On 28 August 2014, lawyers acting for the Bondholder issued a letter of demand ("**Letter of Demand**") to FCPL and other persons who acted as guarantors (the "**Guarantors**") for the Company's obligations under the Bonds, to demand payment under the various guarantees. The Letter of Demand was addressed to the Guarantors who are part of the Group at the same address as the Company, i.e. Room 701, 7/F, Grand Centre, 8 Humphreys Avenue, Tsimshatsui, Kowloon, Hong Kong. Again, the Board was not aware of the Letter of Demand due to the office move.
- c) The Receivers were appointed on 2 September 2014. As at the date hereof, the new directors of FCPL are Mr Christopher David Han, Ms Yang Gyeong Mi, Ms Sze Bo Ying, Mr Fok Hei Yu and Mr Nicholas James Gronow.

3. Information Discovery and Ongoing Negotiations

The Board is in the midst of recovering the facts leading up to the allegation of default by the Bondholder and the events thereafter. The Company is also in the process of appointing external legal advisers to assess the rights and obligations of the Company and FCPL in accordance with the terms of the various legal agreements.

Management is also currently engaged in ongoing discussions with the Bondholder and the Receivers with a view of exploring all avenues and remedies to resolve the matter expeditiously, including but not limited to the lifting of the receivership.

Management has also been in discussions with its bankers in the People's Republic of China ("**PRC**"). The Board believes that taking into account the amount of accounts receivables to be collected and existing banking facilities from the Company's bankers in the PRC, the Company will be able to repay the amount claimed by the Bondholder.

However, as the Group's operations are based in the PRC, the Mid-Autumn Festival holidays over the past weekend and continuing into this week have made it challenging for the Board to make an accurate assessment of the impact of the recent events.

Accordingly, the Board has recommended that the Company requests for an extension of the trading halt up to 5 p.m. on 12 September 2014 (Friday), in order to facilitate the Company in continuing the said information discovery and ongoing negotiations.

The Company will announce any material updates relating to this matter as soon as possible.

By Order of the Board
LAI Yuen Ling

President & Executive Director
11 September 2014