

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of
Fung Choi Media Group Limited
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Fung Choi Media Group Limited (the "company") and its subsidiaries (together the "group") set out on pages 32 to 99, which comprise the consolidated and company statements of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

- (a) During the course of our audit of the consolidated financial statements for the year ended 30 June 2014, we identified certain suppliers and customers in the supply chain management business segment which appear to be related parties. We requested management of the group to clarify the relationship with these suppliers and customers. As a result of the above matter, we further requested management of the group to provide additional evidence to substantiate and ascertain the validity of the sale and purchase transactions of the supply chain management business segment. We have not been able to obtain satisfactory explanations and supporting documentation from management of the group concerning these matters.

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Basis for disclaimer of opinion (continued)

(a) (continued)

Given these circumstances, we have been unable to complete satisfactorily our audit procedures to assess the recognition of the sales and the related cost of sales and the corresponding assets and liabilities of the supply chain management business segment. There were no other practicable audit procedures that we could perform to satisfy ourselves that the transactions in the supply chain management business segment were properly accounted for and disclosed. During the year ended 30 June 2014, sales and costs of sales of the supply chain management business segment amounted to HK\$4,842 million and HK\$4,743 million respectively. As at 30 June 2014, segment assets and segment liabilities of the supply chain management business segment amounted to HK\$3,053 million and HK\$1,644 million respectively.

(b) As required under International Standard of Auditing 560, *Subsequent events*, issued by the International Auditing and Assurance Standards Board, we requested management of the group to provide information and documentation to complete our audit procedures over significant transactions or events which may have occurred between the period from 1 July 2014 to the date of this auditor's report. Up to the date of this auditor's report, management of the group has not provided us with the requested information and documentation.

As a result, we are unable to form an opinion on whether significant transactions or events which occurred during the period from 1 July 2014 to the date of this auditor's report were properly accounted for and adequately disclosed in the consolidated financial statements.

(c) As explained in note 2(b) to the consolidated financial statements, an event of default has occurred under a bond issued by the company and receivers have been appointed by the bondholder to take over management of a subsidiary of the company. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the assumptions of (i) the successful outcome of the group's discussion with the bondholder to derive a repayment plan and the availability of sufficient financial resources to fulfil the receivers' demands and settle the bond; (ii) the ongoing support from the group's bankers; and (iii) the group's ability to generate sufficient cash flows from operations to cover the group's operating costs and to meet its financial commitments as and when they fall due. Should the group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements. To assess the validity of the going concern basis of preparation of the consolidated financial statements, we requested management of the group to provide supporting documentation to substantiate and ascertain the reasonableness of the above assumptions. Up to the date of this auditor's report, management of the group has not provided us with the requested supporting documentation.

Consequently, we have been unable to obtain sufficient and appropriate audit evidence that the going concern basis of preparation of the consolidated financial statements is appropriate.

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Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the company and of the group as at 30 June 2014 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Certified Public Accountants

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3rd November 2014