



Prospectus

SHKL Group Limited

(Incorporated in BVI with the registration number 1847231)

ARBN: 603 010 868

This Prospectus is dated 17 June 2015 and is:

- for the offer of 10,000,000 Shares each at an issue price of A\$2.00 by way of a private placement to raise A\$20,000,000 (**Offer**);
- to facilitate secondary trading of Shares previously issued by the Company; and
- so that the Company can comply with the requirements to admission to NSX.

(Proposed NSX Code: SKV)

This Prospectus provides important information about the Company. You should read the entire document including the application form. If you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional advisor. An investment in the Shares offered under this Prospectus is highly speculative.

IMPORTANT NOTICE

This prospectus is dated 17 June 2015 and was lodged with ASIC on that date. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made within 7 days for listing of the Company's securities offered by this Prospectus to the National Stock Exchange of Australia Limited (NSX). The fact that the NSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The NSX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus. ASIC takes no responsibility for the contents of this Prospectus.

Restrictions on distribution The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer. No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Web Site - Electronic Prospectus A copy of this Prospectus is available and can be downloaded from www.kstv-e.com or nsxa.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company. If you have received this Prospectus as an electronic Prospectus, please ensure that you have

received the entire Prospectus accompanied by the application form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

Suitability of Investment & Risks Before deciding to invest in the Company, prospective investors should read entirely this Prospectus and, in particular, the summary of the Company's business in section 5 and the risk factors in section 6. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest. Any investment in the Shares of the Company should be regarded as speculative.

Definitions Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

Exposure Period This Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, any applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on applications received in the exposure period and all applications received during the exposure period will be treated as if they were simultaneously received on the opening date.

Offer of Shares in CDI form The Offer contained in this Prospectus is an invitation to apply for Shares in the Company. Shares will be issued in the form of CHESS Depositary Interests (or CDIs), which are a form of beneficial interest in Shares held by a depositary nominee. The issue of CDIs is necessary to allow NSX trading. CDIs give a holder similar, but not identical, rights to a holder of Shares. More details regarding CDIs are contained in section 8.13. References in this Prospectus to "Shares" include references to "CDIs" as appropriate.

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1 TIMETABLE TO THE OFFER¹

Prospectus lodged with ASIC	17 June 2015
Opening date of the Offer ²	24 June 2015
Closing date of the Offer	24 June 2015
Issue of Shares under this Prospectus	3 July 2015
Quotation of Shares (in the form of CDIs) on NSX	10 July 2015

¹ This timetable is indicative only, and may change.

² Subject to the exposure period as required by the Corporations Act, any extension of which will delay the opening date of the Offer.

Corporate Directory

Independent Non-executive Director & Chairman

Mr ZHANG Yeping

Executive Directors

Mr ZHOU Xinghang

Mr SHEN Weiguo (Managing Director)

Mr ZHU Min

Independent Non-executive Directors

Mr ZHANG Sunyan

Mr WU Jiping

Mr QIAO Xinmin

Registered Agent and Registered Office (Australia)

c/- Company Matters Pty Ltd

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152 St Georges Terrace

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Fax: +61 2 9287 0350

Auditors

J. K. Tan & Co., Chartered Accountants

5A, Jalan Gunung 31

Bandar Sri Alam

81750 Masai

Malaysia

Solicitors to the Offer and Nominated Adviser

Kings Park Corporate Lawyers

Level 2, 45 Richardson Street

West Perth WA 6005

Adviser as to PRC Law

China Legal Bureau (Singapore)

101 Upper Cross Street #05-40

People's Park Centre

Singapore 058357

Company Secretary

Fidus Custodians Limited

Room 703 Kowloon Building

555 Nathan Road

Kowloon, Hong Kong

Foreign Listing Consultant

Beijing Hyreiz Investment Management Co., Limited

Room1506, Beicheng Xinjiyuan Mansion No.13 Beiyuan

Road, Beijing

People's Republic of China

Registered Office (British Virgin Islands)

Offshore Incorporations Centre, Coastal Building

Wickhams Cay II, Road Town

Tortola

British Virgin Islands VG1110

Share Registry

Link Market Services Limited

Level 4 Central Park

152 St Georges Terrace

Perth WA 6000

Investigating Accountant

HLB Mann Judd

Level 4, 130 Stirling Street

Perth WA 6000

Corporate Advisor

Biztrack Consultants Private Limited

Room 703 Kowloon Building

555 Nathan Road

Kowloon, Hong Kong

Special Adviser as to BVI Law

Conyers Dill & Pearman Pte. Ltd.

9 Battery Road

#20-01 Straits Trading Building

Singapore 049910

2 KEY OFFER STATISTICS AND CAPITAL STRUCTURE

Shares currently on issue	100,000,000
Options currently on issue	Nil
Shares offered by way of a private placement under this Prospectus to raise \$20,000,000 at an issue price of \$2.00 per Share	10,000,000
Total Shares on issue following the Offer	110,000,000
Full amount to be raised under the Offer	\$20,000,000

3 CHAIRMAN'S LETTER

Dear Investor

It gives me great honour to introduce to you SHKL Group Limited (**SHKL Group** or the **Company**). The Company was recently formed to acquire control of Shanghai Kunlun Cultural Media Co., Limited (**SKCM**). SKCM is an existing company in China which has been in operation since 2005 but is now focussing on exciting new media products, including ultra large touch screens and associated software, developed by SKCM and which are now being sold on a commercial basis under the trading name “KSTV”.

SKCM's products have application in several areas, including education where the screens and related software systems are sold to schools and educational institutions looking to provide computer-assisted instruction. These systems are highly modular yet integrated, and provide teaching staff and students a common platform to perform teaching and learning activities extending beyond compulsory curriculum and physical classrooms.

The proposed listing on National Stock Exchange of Australia Limited (**NSX**) will give the Company and SKCM a more visible and prominent profile to better promote, market and commercialise the Group's products for the benefit of all stakeholders. It will also provide an orderly and transparent platform for the Company's existing shareholders, whom are either founders or investors of SKCM, and interested investors to trade in the Company's Shares, and, as a listed entity, require the Company to comply with enhanced governance and disclosure obligations.

This Prospectus is issued in conjunction with an application by SHKL Group Limited for the listing of its Shares on NSX and to facilitate the offer of 10 million Shares (equal to 9.09% of the Company) to Shanghai Jugu Equity Investment Fund, an unrelated private equity fund based in Shanghai, for A\$20 million. The Prospectus contains detailed information about the Group's operations, business plan and financial position.

While Directors believe that the Group's products have commercial prospects and since late 2014 approximately 20 large screen units have been sold, investment in the Company carries with it substantial risks, the more significant ones being as follows:

- *risk relating to structure*

To comply with foreign ownership restrictions on business which operate in the media sector in the PRC, the Company has adopted a variable interest entity structure (**VIE**) under which two Directors, Mr Shen Weiguo and Mr Zhou Xinghang hold all the issued capital of SKCM, the Group's sole operating entity (which owns and operates the relevant business) for the benefit of the Company. Although this structure is consistent with longstanding industry practice, and is commonly adopted by companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration and other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. If the PRC government deems that the contractual arrangements in relation to the Company's variable interest entity, SKCM does not comply with PRC governmental restrictions on foreign investment, or if these

regulations or the interpretation of existing regulations changes in the future, the Company could be subject to penalties or be forced to relinquish its interest in SKCM. Furthermore it would then be unlikely to be able to enforce any rights against Messrs Shen and Zhou.

There is also the risk that Messrs Shen and Zhou may act in breach of these agreements which, in the event the ownership structure is recognised, will require the Company to enforce its rights under the agreements through the courts.

- *Risk of doing business in different jurisdictions*

SHKL Group is incorporated in the British Virgin Islands (BVI), and its Directors, management, assets and operations are located in China. As a result, the Company may have a reduced level of title and control over those assets, and reporting to shareholders and the market (through continuous and periodic disclosure) may be less reliable. Furthermore, it may be more difficult for Shareholders to pursue any claims against either the Company and/or its Directors and management. The location may also create challenges for the Company's auditors and Nominated Adviser to access reliable information to independently verify and test information provided by management.

- *Risk of reduced investor and shareholder rights and protection in BVI*

The Company is incorporated in BVI and subject to the laws of BVI, including the *BVI Business Companies Act*. BVI company law does not regulate acquisitions in shares issued by BVI companies, and there are no obligations on persons to disclose their interest in a company or restrictions preventing them from acquiring control without treating all shareholders equally. The reduced rights and protections create risks for investors and Shareholders.

- *Risks relating to the concentration of the Company's Shares*

The Directors will together hold 51.57% of Shares after the Offer. Together they will have the ability to determine the composition of the Company's Board and pass ordinary resolutions at meetings of Shareholders. Furthermore and together with holders of a further 23.43% Shares, they will be able to pass special resolutions at general meetings of the Company and consent to the variation of share rights in accordance with the M&A.

- *Risk relating to valuation and pricing of the Shares*

The subscription price for the Shares under the Offer, and hence the valuation of the Company (at the time of this Prospectus), is derived at on a willing buyer willing seller basis after arms-length negotiations between Shanghai Jugu Equity Investment Fund (an unrelated third party fund with approximately RMB 1 billion under management) and the Company. Shareholders and potential investors should note that this valuation is based on one transaction with one counter-party. Therefore, there is no assurance that other counter-parties will ascribe such a valuation to the Shares and the Company, or that holders of Shares will be able to obtain this price for their Shares should they wish to sell their Shares. Shareholders and interested investors are advised to read this Prospectus carefully

and in full and, where necessary, seek professional advice before deciding whether to invest or trade in the Company's Shares following its admission to the Official List of NSX.

Potential investors are urged to read this Prospectus in full and to seek their own independent legal advice if they have any queries.

I believe that the journey ahead to realise the full potential of SHKL Group will be an exciting one and while it may be arduous and unpredictable, there will be stages along the way where the Company will get its rewards and recognition.

Yours sincerely

ZHANG Yeping
Chairman

4 INVESTMENT OVERVIEW

This information is a selective overview only and is not intended to provide full information for investors intending on applying for Shares offered under this Prospectus. Prospective investors should read the Prospectus in full, including the experts' reports in this Prospectus before deciding to invest in Shares.

Question	Response	Where to find more information
Introduction		
Who is issuing this Prospectus?	SHKL Group Limited (ARBN: 603 010 868), a company incorporated in the British Virgin Islands (Company or SHKL Group).	Section 6
What is the purpose of this Prospectus?	This Prospectus is issued in conjunction with an application by the Company for the listing of its Shares on NSX and to facilitate the offer of 10 million Shares to Shanghai Jugu Equity Investment Fund for A\$20 million.	Section 8
SHKL Group and its business		
Who is the Company and what does it do?	<p>The Company was recently formed to acquire control of Shanghai Kunlun Cultural Media Co., Limited (SKCM). SKCM was established in 2005 and is the principal operating subsidiary of the Group. SKCM is an existing company in China which provides products and services aimed at closing the gap between digital publishing and educational technology for the educational sectors within China.</p> <p>The Company's principal business activity is producing large-scale tablet PCs and associated software for classrooms and conferences, applicable to technology integrated classrooms in primary/middle schools and various professional education institutes, and smart OA conference systems under the trading name "KSTV".</p> <p>The Company aims to be a supplier and service provider of the overall solution for educational information through its "cloud service platform + interactive digital classroom + mobile internet device" model.</p> <p>The Company provides hardware and software to</p>	Section 6

Question	Response	Where to find more information
	enable extra-curriculum learning content to be digitised and aggregated into an organisational platform for both public and private educational institutions. The Company's products are also suitable for smart OA conferencing.	
What is the Company's strategy?	<p>The Company's strategy is to:</p> <ul style="list-style-type: none"> • to create shareholder value through carrying on and developing its existing principal businesses; • to assess and, if warranted, acquire or build other businesses in the media and electronic media industries to complement and/or supplement the Group's existing principal businesses; • to strengthen and expand its distribution network; • to continue to enhance design and development capabilities and applications; • to increase production capacity to benefit from economies of scale; and • to increase brand awareness. 	
What are the Company's key assets?	The Company's key assets are the rights under the VIE Contracts to all of the benefits and risks (including profits and losses) of SKCM's business.	Section 5.8
Who established SKCM?	Messrs Shen Weiguo and Zhou Xinghang, Directors of the Company, established SKCM.	Section 7.1
How does SKCM generate revenue?	<p>SKCM has developed large scale touch screen PCs and related software with a fully integrated digital intelligent learning platform and smart OA conferencing system, which it proposes to sell to schools, other education institutions and businesses. The screens can be used with both content regulated by Chinese education authorities and unregulated content.</p> <p>SKCM's products are mainly sold on a wholesale basis to distributors who sell the products to the end consumer through retail outlets operated by themselves or third party retailers with whom</p>	Section 5.4

Question	Response	Where to find more information
	the distributors subcontract.	
How does the Company expect to fund its operations?	The Company expects to fund its operations via revenues generated from its business activities and cash raised under the Offer.	
What the key investment highlights and benefits of investing in the Company?	<p>The benefits of investing in the Company include the following:</p> <ul style="list-style-type: none"> • developed products consisting of ultra large touch screens and related software and distributors appointed in China and Australia; • an experienced Board and management team; • exposure to the educational and broader technology sector within China; and • the Company has the support of a cornerstone investor, Shanghai Jugu Equity Investment Fund, a Shanghai based fund with approximately RMB1 billion under management and which invests in Chinese emerging companies and start-ups. 	Section 5
Why is the Company seeking to list on NSX?	<p>The Company is seeking to list on NSX to:</p> <ul style="list-style-type: none"> • satisfy a condition under which Shanghai Jugu Equity Investment Fund will invest funds in the Company; • give the Company a more visible and prominent profile to better promote, market and commercialise the Group's products; • provide an orderly and transparent platform for the Company's existing shareholders and interested investors to trade in the Company's shares; • diversify the Company's shareholder base; and • provide a platform for growth. 	
What is the ownership	To comply with Chinese law (which restricts foreign ownership in certain industries, including	

Question	Response	Where to find more information
structure for SHKL?	<p>value added telecommunication services, which include operations on internet content providers) the transfer of control of SKCM has occurred through the grant of legal rights with respect to SKCM's business and revenue streams, rather than transferring ownership of SKCM's business and assets. This has occurred through the following agreements:</p> <ul style="list-style-type: none"> • Sale and Purchase Agreement between the Company and Fidus Custodians Limited dated 24 November 2014 for 100% of the issued capital of KSTV (Kong Kong) Limited (KSTV) for 100m Shares; • Option to Purchase Agreement dated 12 September 2014 between KSTV and Messrs Shen Weiguo and Zhou Xinghang granting a perpetual option to purchase 100% of their entire equity interest in SKCM; • Share Pledge Agreement dated 12 September 2014 between KSTV and Messrs Shen Weiguo and Zhou Xinghang; and • Exclusive Consulting and Service Agreement dated 12 September 2014 between KSTV and SKCM. <p>This type of structure is known as variable interest entity (VIE) and is commonly used for Chinese based internet and technology companies listing on foreign exchanges; for example Alibaba Group Holding Limited (NYSE:BABA).</p>	

Material contracts

What material contracts has the Company entered into?	<p>In addition to contracts relating to the ownership structure of SKCM (see above), the Group has entered into the following material contracts relating to its business:</p> <ul style="list-style-type: none"> • Investment Agreement with Shanghai Jugu Equity Investment Fund under which the fund has agreed to subscribe for 10 million Shares for A\$20 million. The subscription is 	Section 5.8
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Question	Response	Where to find more information
	<p>conditional upon the Company listing on NSX.</p> <ul style="list-style-type: none"> • Cooperation Agreement with Shanghai Seeyoo Electronic Technology Co., Ltd for the manufacture of KSTV smart conference pads and educational computers; • IMB Large Screen Series Products Sale Agency Agreement between SKCM and Shanghai UTO X-Internet Co., Ltd dated 1 December 2014; and • Business Cooperation Agreement between the Company, SKCM and Australian Property and Investment Group Pty Ltd dated 19 March 2015. 	

The Company's financial position

What is the financial position of the Company?	<p>The Company was formed on 29 October 2014 to acquire SKCM, a company with operating history but whose principal products comprising ultra-large touch screens and related software developed by SKCM have only recently been introduced for commercialisation.</p> <p>This Prospectus contains financial information including a reviewed pro forma consolidated income statement and balance sheet (based upon the audited accounts of SKCM) as at 31 March 2015.</p> <p>Set out below is a selected summary of the Group's reviewed pro forma statement of financial position as at 31 March 2015 (post completion):</p>	Section 10
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	(A\$'000)
Cash and receivable	18,759
Non-current assets (including intangibles)	392
Current liabilities	0
Non-current liabilities (shareholder loans)	2,457
Net assets	16,695

Question	Response	Where to find more information
	The adjustments to the pro forma statement of financial position are set out in the Investigating Accountant's Report.	
Key risks <p>There are a number of risks associated with investing in the share market generally and in the Company specifically. The following is a summary of the key risks that may affect the financial position of the Company, the value of an investment in the Company, as well as the Company's operations. Full details of these risks are set out in section 6 of this Prospectus.</p> <p>Please consider the risks described below and the information contained in other sections this Prospectus. You should also consider consulting with your professional advisers before deciding whether or not to invest in the Company.</p>		
Ownership structure	SKCM is legally owned by Messrs Shen and Zhou, who have granted the Company (via its wholly owned Hong Kong subsidiary) a perpetual option to purchase 100% of SKCM for nominal consideration and also entered into contracts which together give the Company effective control over SKCM and its business (the EC&S Agreement). There is a risk that Messrs Shen and Zhou may act in breach of these agreements and/or that the Chinese authorities may not recognise the Company's rights under the agreements.	Section 6.1(a)
Location of directors, management, assets and operations	The Company is incorporated in BVI, and its directors, management, assets and operations are located in China. The Company may have a reduced level of title and control over those assets, continuous and periodic disclosure may be less reliable, and it will be more difficult for shareholders to pursue any claims against the Company and/or its directors and management. The location may create challenges for the Company's auditors to access reliable information to independently verify and test information provided by management.	Section 6.1(b)
Reduced rights attaching to shares under	The Company is subject to BVI laws, including the BVI Business Companies Act. BVI laws do not regulate acquisitions in shares issued by BVI companies and there are no obligations on	Section 6.1(c)

Question	Response	Where to find more information
BVI laws	<p>persons to disclose their interests in a BVI company or restrictions preventing them from acquiring control without treating all shareholders equally. The reduced rights and protections create risks for Shareholders.</p> <p>Furthermore, under the M&A there is a possibility that shareholders holding 75% of shares can change the rights and liabilities attaching to the Company's securities. Pursuant to the M&A, subject to Clause 8 thereof, the Company may amend the M&A by a resolution of Shareholders. The directors will together hold 51.57% of shares after the Offer and three directors will be substantial holders with a combined 50.86% of shares after the Offer.</p>	
Future arrangements with licensed publishers	<p>Whilst SKCM does not currently provide content, it may do so in the future. Any breach of arrangements with licensed publishers, or changes to arrangements on less favourable terms, may have an adverse impact on SKCM's operations and financial results.</p>	Section 6.1(d)
Reliance on third party content providers	<p>Similarly, any constraints on suppliers of unregulated content to SKCM in the future, or default or inadequate performance in the provision of such content may have a material adverse effect on the Group's cost competitiveness, business, financial condition and results of operations.</p>	Section 6.1(f)
Valuation and pricing of the Shares	<p>The subscription price for the Shares, and hence the valuation of the Company, is derived at on a willing buyer willing seller basis after arms-length negotiations between Shanghai Jugu Equity Investment Fund and the Company based on all information that has been disclosed in this Prospectus.</p> <p>Shareholders and potential investors should note that this valuation is based on one transaction with one counter-party. Therefore, there is no assurance that other counter-parties will ascribe such a valuation to the Shares and the Company,</p>	Section 6.1(g)

Question	Response	Where to find more information
	or that holders of Shares will be able to obtain this price for their Shares should they wish to sell their Shares.	
Limited operating history	The Company's principal operating subsidiary is SKCM. SKCM was initially formed as a cultural media company operating as a contract newspaper publisher. That business was discontinued in 2010 and SKCM is now focused on digital publishing and educational technology. SKCM's principal products and services have only recently been introduced for commercialisation, and to date have only just started to generate revenue. There is a risk that these products and services will not generate revenue or be profitable.	Section 6.1(h)
Development and commercialisation	SKCM's business model is reliant on its ability to continue to develop and commercialise its principal products and services. Any failure to do so would lead to a loss of opportunities and adversely impact on the operating results and financial position of SKCM.	Section 6.1(i)
Key personnel	The prospects of the Group depend, in part, on the entrepreneurial drive and business experience of key executives. There can be no assurance that the Group will be able to retain these key personnel.	Section 6.1(j)
Internal controls	The system of internal controls currently implemented by the Group is designed for the operations of an owner-managed enterprise. The Directors are of the opinion that while this system of internal control is adequate and effective for the current level of operations, it may become inadequate after the Group's business expands.	Section 6.1(k)
Policies and regulations of the Chinese government	Service providers in the education sector in China are subject to extensive national, provincial and local governmental regulations, policies and controls. Failure to comply with such laws and regulations may result in suspension of operations. Compliance with such	Section 6.1(l)

Question	Response	Where to find more information
	<p>laws and regulations may require significant capital expenditure or other obligations or liabilities. In addition, the introduction of any new laws, or changes to existing laws and the interpretation or application thereof or delays in obtaining approvals from the relevant authorities may have an adverse impact on the Group's business or operations.</p>	
Competitive activity	<p>The Group operates in a competitive market. Competition in the education industry is based on factors such as price, perceived service quality and brand name recognition. The Group faces competition in the domestic market in which it operates from other large domestic education service providers.</p> <p>Furthermore, Microsoft has recently released its Surface Hub product, which will compete against SKCM's products in the office automation market.</p>	Section 6(l)
Growth and potential Acquisitions	<p>Expansion of the Group's business potentially involves the Group making acquisitions of new centres and businesses in the same or complimentary sector and establishing businesses in foreign markets (initially Australia and United States). Whilst the Group will partner with local businesses and undertake due diligence, any such future transactions would be accompanied by the risks commonly encountered in establishing new businesses in foreign markets or making acquisitions of new businesses.</p>	Section 6(m)
Contract manufacture	<p>SKCM relies on contract manufacturers to manufacture its hardware (primarily large scale screens). Shanghai Seeyoo Electronic Technology Co. Ltd under a co-operation agreement will manufacture SKCM's current range of products.</p> <p>Any shortfall in available production capacity or defects could significantly affect SKCM's ability to deliver its products on time, which may result on a loss of turnover and may damage its</p>	

Question	Response	Where to find more information
	relationships with customers. If the costs of manufacturing increases and SKCM is unable to pass on such higher costs to its customers, its profit margins may be significantly reduced, thereby affecting its financial condition and operations.	
Currency and Foreign Exchange	Revenue generated, and capital and operating costs incurred, by the Group will largely be denominated in the Chinese currency, the Chinese Yuan or Renminbi. The conversion of the Yuan into foreign currencies is regulated in China. The Group expects to report financial results in United States Dollars. As a result, it will be subject to foreign exchange currency risks due to exchange rate movements which will affect the Group's transaction costs and translation of its results.	Section 6.1(o)
Payment of service fees	<p>The Company relies on service fees from SKCM to generate income and pay any debt that the Group may incur. These service fees are payable to KSTV, the Company's wholly owned subsidiary in Hong Kong, who in turn pays such funds received from SKCM to the Company by way of dividend payments and/or inter-company loans</p> <p>There are risks associated in expatriating service fees earned in RMB in China, including regulatory and exchange rate risks. Any adverse exchange rate movements or increased restrictions on SKCM paying funds to the Company's Hong Kong subsidiary will have an adverse impact on the Company and Shareholders.</p>	Sections 6.1(o) to 6.1(r) and 12.4 to 12.6
PRC Enterprise Income Tax Law	<p>There is a risk that the Company may, notwithstanding it is incorporated outside of the PRC, be considered a PRC "resident enterprise" and therefore be subject to enterprise income tax at 25% of the Group's worldwide income. There is also the risk that in the event the Company is considered a PRC "resident</p>	Sections 12.6(b) to 12.6(e)

Question	Response	Where to find more information
	<p>enterprise”, any dividend distributed by SKCM to the Company may still be subject to an additional 10% withholding tax as if it was not a PRC “resident enterprise” notwithstanding that it has already been subject to enterprise income tax as a PRC “resident enterprise”. If the Company is required under the EIT Law to withhold such withholding tax with respect to dividends, shareholders’ investment in Shares may be materially and adversely affected.</p> <p>The PRC Individual Income Tax Law, or the PRC Individual Tax Law, imposes tax at the rate of 20% on dividends and gains realised by overseas individuals who are not domiciled or tax resident in the PRC, to the extent that such dividends or gains are sourced within the PRC. Pursuant to the Individual Tax Law, although the matter is unclear, if the Company (or parts of it), were considered a PRC resident enterprise, dividends or gains realised by the Group’s non-PRC individual shareholders may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of dividends may be require to be withheld) at a rate of 20%.</p>	
Legal considerations	Legislative reforms during the last 2 decades have significantly enhanced the protection enjoyed by enterprises in China. However some of these laws, regulations and measures are relatively recent and their interpretation and enforcement remain uncertain.	Section 6.1(s)
Political, economic and social reforms	As the Company conducts substantially all of its business operations in China, the Company’s results of operations, financial condition and prospects are significantly dependant on economic, political and social developments in China. There is no assurance that any change that occurs as a result of political, economic or social reforms in China will have a positive effect on China’s economic development or that the Group’s operating companies will benefit	Section 6.1(t)

Question	Response	Where to find more information
	from or will be able to capitalise on these reforms.	
General investment risks	<p>There are risks associated with any securities investment including extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Company.</p> <p>Changes in both domestic and world economic conditions may adversely affect the financial performance of the Company including inflation, currency fluctuations, interest rates industrial disruption and economic growth.</p> <p>The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals, can impact adversely on the assets and operations of the Company and ultimately its financial performance. In addition, any adverse changes in political and regulatory conditions in China, BVI or Australia could affect the prospects of the Group. Financial and economic changes such as changes in monetary and fiscal policies, import regulations and tariffs, taxation and currency exchange could affect the profitability of the Group.</p>	Section 6.2 Section 14
Directors and Management		
Who are the Directors of the Company?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> • Mr ZHANG Yeping (Independent Non-Executive Director and Chairman); • Mr SHEN Weiguo (Executive Director); • Mr ZHOU Xinghang (Executive Director); • Mr ZHU Min (Executive Director); • Mr ZHANG Sunyan (Independent, Non-executive Director); • Mr WU Jiping (Independent, Non-executive Director); and • Mr QIAO Xinmin (Independent, Non-executive Director). 	Section 7

Question	Response	Where to find more information															
	Each of the Directors reside in the PRC. Messrs Zhou and Shen founded SKCM.																
Who are the key management of the Company?	Mr PAN An (Peter) is the secretary to the Board and the Chief Compliance Officer.	Section 7															
What benefits are being paid to Directors?	Subject to shareholder approval at the Company's next annual general meeting, the Directors will be paid directors' fees of collectively up to A\$250,000 per year for holding office. Messrs SHEN Weiguo, ZHOU Xinghang and ZHU Min are executive Directors working for the Company on a full time basis, for which each of them will be paid RMB120,000 (approximately AUD23,000) per annum.	Section 7															
What material contracts has the Company entered into with Directors and management?	The ownership structure under which the Company has de facto control over, and bears the risk and reward of SKCM's business, arise under a number of contracts with Messrs Shen Weiguo and Zhou Xinghang, Directors of the Company. Summaries of the key terms of these contracts are included in this Prospectus.	Section 5															
Who are the substantial shareholders of the Company and what will be their interests in the Company at completion of the Offer?	At completion of the Offer, the substantial Shareholders (as defined in the NSX Listing Rules) will be: <table border="1"> <thead> <tr> <th>Shareholder</th><th>Shares held</th><th>%</th></tr> </thead> <tbody> <tr> <td>ZHOU Xinghang</td><td>22,934,998</td><td>20.85</td></tr> <tr> <td>SHEN Weigou</td><td>22,934,998</td><td>20.85</td></tr> <tr> <td>ZHU Min</td><td>10,080,000</td><td>9.16</td></tr> <tr> <td>Shanghai Jugu Equity Investment Fund</td><td>10,000,000</td><td>9.09</td></tr> </tbody> </table>	Shareholder	Shares held	%	ZHOU Xinghang	22,934,998	20.85	SHEN Weigou	22,934,998	20.85	ZHU Min	10,080,000	9.16	Shanghai Jugu Equity Investment Fund	10,000,000	9.09	Section 5.16
Shareholder	Shares held	%															
ZHOU Xinghang	22,934,998	20.85															
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ZHU Min	10,080,000	9.16															
Shanghai Jugu Equity Investment Fund	10,000,000	9.09															

Question	Response	Where to find more information								
Are the Directors or any existing Shareholders selling Shares into the Offer?	No. Under the NSX Listing Rules, Shares held by Directors will be subject to escrow for 2 years.									
Key terms of the Offer and proposed use of funds										
What is the purpose of the Prospectus?	<p>This Prospectus is:</p> <ul style="list-style-type: none">• for the Offer of 10,000,000 Shares each at an issue price of A\$2.00 by way of a private placement to Shanghai Jugu Equity Investment Fund to raise A\$20,000,000; and• a compliance prospectus to facilitate secondary trading of Shares previously issued by the Company on NSX.	Section 8								
Who is Shanghai Jugu Equity Investment Fund and what interest will they have in the Company following the Offer?	<p>Shanghai Jugu Equity Investment Fund is a privately-owned and managed fund operating in Shanghai, the financial centre of China. The focus of their investments is on local Chinese emerging companies and start-ups.</p> <p>On completion of the Offer, Shanghai Jugu Equity Investment Fund will hold approximately 9.09% of the Company’s share capital.</p>	Sections 5.12 and 8								
How will funds raised under the Offer be used?	<p>The Company intends to use funds raised from the Offer broadly as follows:</p> <table><tr><th>Use</th><th>A\$’000</th></tr><tr><td>Content acquisition: License from third party content owners</td><td>5,000</td></tr><tr><td>Content acquisition: In-house development costs, including salaries for material researchers, authors and programmers</td><td>2,000</td></tr><tr><td>Development costs for new products,</td><td>2,500</td></tr></table>	Use	A\$’000	Content acquisition: License from third party content owners	5,000	Content acquisition: In-house development costs, including salaries for material researchers, authors and programmers	2,000	Development costs for new products,	2,500	Section 5.11
Use	A\$’000									
Content acquisition: License from third party content owners	5,000									
Content acquisition: In-house development costs, including salaries for material researchers, authors and programmers	2,000									
Development costs for new products,	2,500									

Question	Response	Where to find more information
	including salaries for market researchers, product engineers and industrial designers	
	Business and market development, including print and electronic advertisements, trade shows participation costs and other marketing expenses	4,500
	Corporate administration expenses for two years	1,200
	Costs of the Offer	275
	Payment of SKCM's liabilities resulting from losses of the Discontinued Business	1,350
	Other general working capital, including payment for staff salaries, inventories and rentals	3,185
	Total	20,000
What are CDIs?	<p>The Listing Rules require that the Company operate both an electronic issuer-sponsored sub-register and an electronic Clearing House Electronic Subregister System (CHESS) sub-register.</p> <p>The Company is incorporated in the British Virgin Islands, a jurisdiction whose laws have the effect that Clearing House Electronic Subregister System (CHESS) cannot be used for holding legal title to securities. To facilitate the use of CHESS, Shareholders will hold their Shares in the form of CHESS Depositary Interests (or CDIs), which are a form of beneficial interest in Shares held by a depositary nominee.</p> <p>CDIs give a holder similar, but not identical, rights to a holder of Shares. References in this Prospectus to "Shares" include references to "CDIs" as appropriate.</p>	Section 8

Question	Response	Where to find more information
Miscellaneous		
What are the tax implications of investing in the Offer?	<p>The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.</p> <p>This Prospectus contains a summary of Australian tax law to Australian resident holders of Shares. However, all potential investors should obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view and generally.</p>	Sections 6 & 14
Will the Company pay dividends?	The Company's focus will be on generating capital growth. The Company has no immediate plan to declare or distribute dividends. Payment of future dividends will depend on matters such as the future profitability and financial position of the Company.	Section 5.12
Where will the Shares be quoted?	An application has been made to the NSX for quotation of the Shares under the trading symbol "SKV".	Section 8
Will any shares be escrowed?	Subject to the Company being admitted to the official list of NSX, certain shares on issue prior to the offer may be classified by NSX as restricted securities and will be required to be held in escrow.	Section 8.10
How can I obtain further advice?	By speaking to your accountant, stockbroker or other professional advisor.	

5 COMPANY AND BUSINESS OVERVIEW

5.1 Introduction

The Company was incorporated under the name KSTV Group Limited in British Virgin Islands on 29 October 2014 for the purpose of acquiring effective control of Shanghai Kunlun Cultural Media Co., Limited (**SKCM**), a Chinese business that was established in 2005. On 12 November 2014, the Company changed its name to SHKL Group Limited. The Company was registered under the Corporations Act on 11 December 2014.

SKCM has developed a range of ultra large (up to 85 inch) touch screens and associated hardware and software. The screens include an integrated CPU, hard drive and related equipment and have application in the education, office meeting and other sectors. For example, the hardware and related software can be used to deliver curriculum and extra-curriculum learning and assessment products sourced from provincial-level licensed education providers.

The Company has obtained two software copyrights to secure the intellectual property related to the ultra large touch screens.

The corporate structure of the Group as at the date of this Prospectus is as follows:



Mr SHEN Weiguo and Mr Zhou Xinghang together own all of the shares issued by SKCM. The above corporate structure is the result of completion of material contracts entered into by the Company and/or its subsidiary, details which are set out in section 5.4 below.

SKCM's business model is to generate income from the sale of these products and related software. The objectives of the Company are:

- (a) to create shareholder value through developing and manufacturing (through third parties) ultra large touch screens and related software. These products can be used to deliver, amongst other things, regulated and unregulated educational content; and

- (b) to assess and, if warranted, acquire or build other businesses in the media and electronic media industries to complement and/or supplement the Group's existing principal businesses.

5.2 Discontinued Business

The initial principal business of SKCM upon formation was contract publishing of newspapers. This principal business (**Discontinued Business**) was carried on until 2010 when it was discontinued after reporting continuous operating losses as a result of declining demand for printed newspapers and reduced advertising revenue due to online media. Of the funds raised under the Offer, approximately \$1.35 million will be paid to SKCM's creditors for debts accrued by the Discontinued Business and general expenses since 1 July 2014.

5.3 Principal business

SKCM (which trades in PRC under the name KSTV) now focuses on new media platforms such as electronic publishing of "traditional" media content by providing products (initially through small tablets and now through ultra large touch screens and related hardware and software) and services aimed at closing the gap between digital publishing and educational technology for the educational sectors within China. SKCM does not currently provide the educational content to the customer, but may do so in the future. Depending upon the customer's requirements, provincial-level content obtained by the customer can be integrated with proprietary hardware that is designed and produced for traditional classroom and distance learning.

SKCM's digital intelligent learning platform can carry both regulated content (i.e., content which is published by approved publishers which are themselves licensed by the relevant provincial-level education authorities) and unregulated content both of which are purchased by the customer directly from third parties.

These approved publishers of regulated content are owned by the respective provincial-level education authorities, while end-users (or customers) requiring regulated content would either be public educational institutions or licensed private educational institutions offering compulsory education under China's compulsory education laws. In line with China's compulsory education laws, approved publishers or regulated content must provide such regulated content to any educational institution offering compulsory education which requires such regulated content. The client may license the regulated content directly from the approved publisher (whom as explained above must license it to the client), who will then upload it to SKCM's digital intelligent learning platform.

SKCM offers a highly modular yet integrated office, teaching and learning system to organisational clients looking to provide computer-assisted instruction. With SKCM's products and services, both teaching staff and students can now perform learning and teaching activities on a common exchange platform that extends beyond both compulsory curriculum and physical classrooms.

It is envisaged that students will be able to purchase supplementary learning materials, communicate with their peers or teachers, enhance their creative learning experiences via other online activity-based programs, and also self-monitor individual progress all with a single account.

SKCM's products (which are described in more detail in section 5.4 below) were developed over an extended developmental period which included the following milestones since SKCM began to focus on new media platforms:

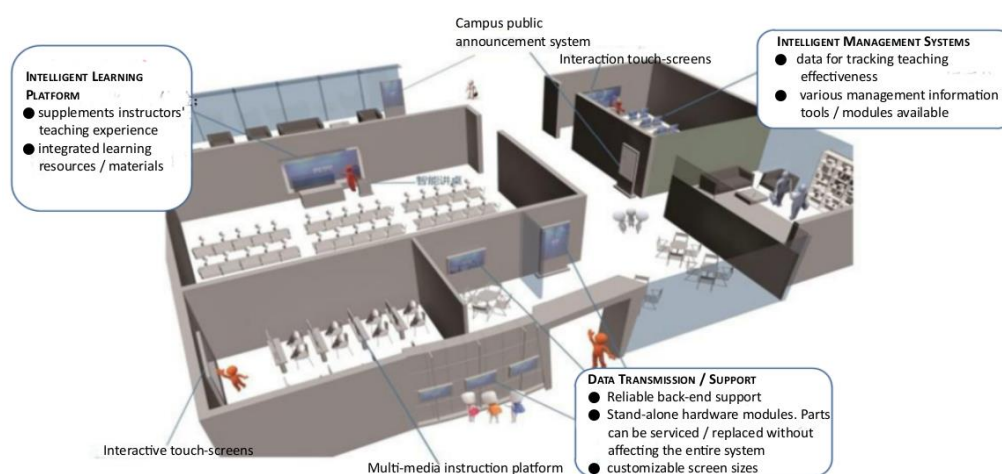
- (a) Exclusive pilot "*Intelligent Campus*" project in partnership with Shanghai Huashi Dongfang Digital Publishing Co., Limited, a joint venture between East China Normal University Press and Shanghai Huashi Zhifeng Digital Technology Co., Limited for the use of an early version of SKCM's ultra-large touch screens and related software in digital publishing and to deliver educational content in class rooms. The project confirmed the feasibility in using SKCM's screens in class room settings.
- (b) KSTV electronic marketplace platform development project with Shanghai TES Computer System Co. Limited, a company which undertakes software development projects for clients such as Fujitsu, NEC and Mitsubishi Electric, for the development of customized software for clients with specific needs to use with ultra large touch screens. As a result of the project SKCM has appointed TES as its preferred supplier of customized software to be installed in ultra large touch screens delivered to clients.
- (c) Collaboration with Sichuan Normal University in research and development of teaching and learning management systems, specifically targeting the rapid digitisation of education across both private and public sectors in China. As a result, SKCM and Sichuan Normal University are working together on an informal basis to digitalise and distribute Sichuan Normal University's content for use with SKCM's ultra large screens.

These milestones were achieved by SKCM developing its in-house capabilities and competency in new media platforms and resulted in SKCM's products being developed to the stage where they are now commercialised.

5.4 SKCM's products

SKCM is a supplier and service provider of overall solutions for integrated educational teaching and management facilities through a "cloud service platform + interactive digital classroom + mobile internet device" model. The Company's products, large-scale tablet PCs for classrooms and conferences are fully developed and operational (although upgrading and improvement work will continue), and are being rolled out into the smart OA conference system market. The products have application in integrated classrooms in primary/middle schools and various professional education institutes, and as well as smart OA conference systems. SKCM has appointed Shanghai UTO as its exclusive sales agent for the PRC and Hong Kong region. Through Shanghai UTO, SKCM has commenced preliminary and informal negotiations with Guangdong and Shandong middle schools for the

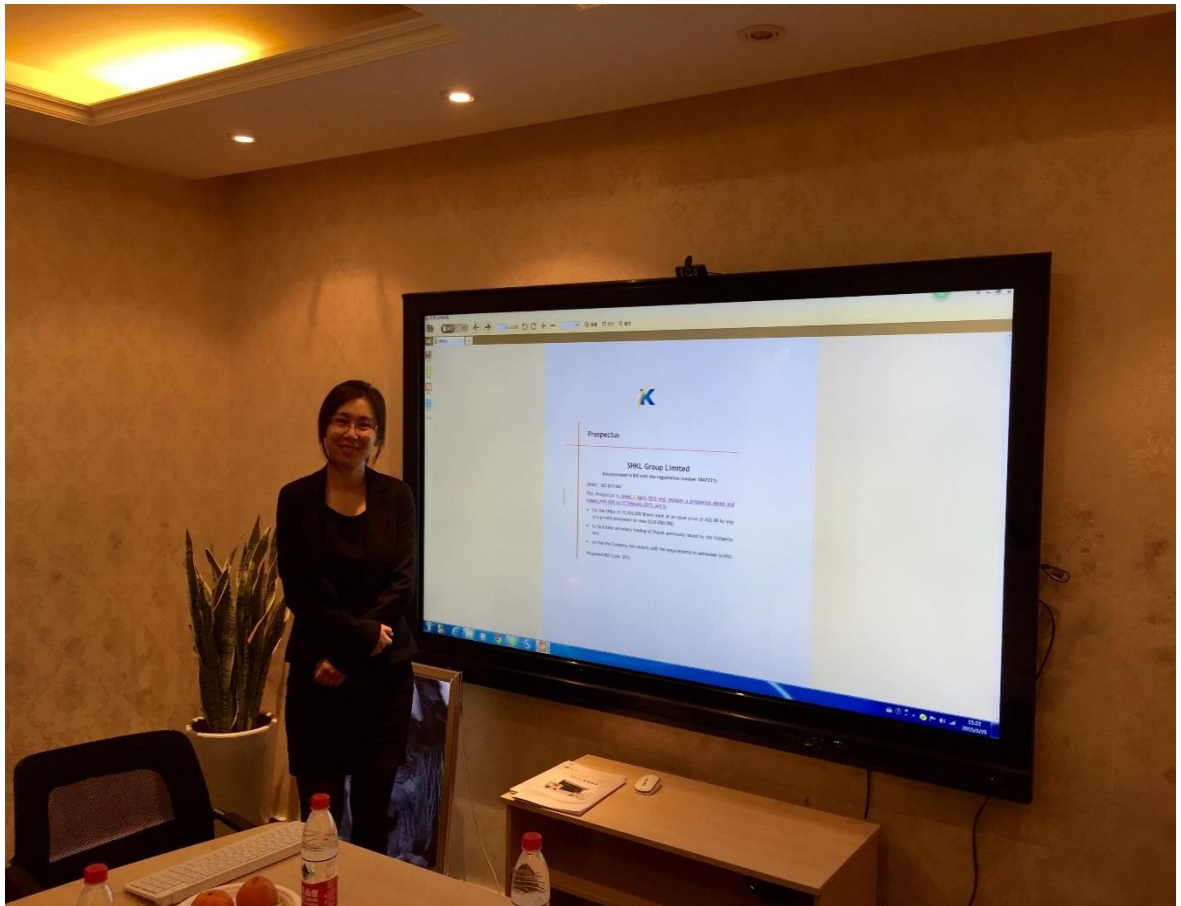
installation of smart classrooms. A typical example of SKCM's system enabled learning environment is shown below:



EXAMPLE OF A SHKL SYSTEM ENABLED LEARNING ENVIRONMENT

Hardware components of SKCM's system include interactive touchscreens and electronic whiteboards as shown below:





An 85 inch touch pad in use

The intelligent learning platform products and services the Company supplies to a customer, most likely a school or other types of educational institution, will typically comprise of a set of hardware (e.g., ultra-large (ranging from 55 to 85 inches) touchscreen monitors, sound system and other input-output devices) to carry, and for the end-user to access, a wide range of instructional content. Using common components, the hardware configuration supplied to an educational institution is customised to meet their specifications or requirements.



The content carried in the hardware can also be customised to meet individual educational institution's requirements, but typically will comprise of: (i) a base or core content (usually the government-approved and compulsory reading or reference material for the course provided by the institution); and (ii) optional materials as may be required by the institution to supplement and/or enhance their teaching of the core materials. The customer will initially typically purchase the content from third party providers.

The intelligent learning platform products are supplied to educational institutions for an upfront payment plus annual license fees, the quantum which is determined after taking into account: (i) the hardware configuration; (ii) the number and type of optional content; and (iii) the number of students using the product.

The retail prices for touch screens range from 58,000RMB to 149,000RMB, depending upon the size, power and memory configuration.

Depending on each educational institution's requirement, SKCM provides after-sales support either under a term service contract or an ad-hoc basis.

SKCM's intelligent learning platform can be modified for use as a business-oriented Office Automation conference system or interactive meeting board for medium-to-large sized commercial organisations. The interactive meeting board facilitates participants in two or more physical locations to hold meetings, share and work on materials interactively.

The touch screens are manufactured by Shanghai Seeyoo Electronic Technology Co., Ltd under a co-operation contract. The software is developed by SKCM in collaboration with TES Computer System Co. Limited. See section 5.10 for details.

As far as the Company is aware, the only integrated ultra large touch screen comparable to the Company's integrated screens and related hardware and software is Microsoft Surface Hub which was first announced in early 2015. The Company believes its products will enjoy a competitive advantage over Microsoft Surface Hub due to what the Company understands are the prices that Microsoft's products will sell for.

5.5 Target markets

The target markets for SKCM's intelligent learning platform are educational institutions, both public schools as well as privately run educational institutions in China who offer compulsory education (elementary and junior high schools) and/or non-compulsory education (e.g. Pre-school, senior high school, vocational training and other forms of tertiary education).

Based on statistics available on the website of National Bureau of Statistics of China (<http://www.stats.gov.cn/english/Statisticaldata/AnnualData/>), in 2013 China had approximately 289,900 compulsory education schools (Years 1 to 9) and 281,800 non-compulsory education institutions. Accordingly to the Ministry of Education, improving the utilisation of China's educational resources so as to avail less developed areas of quality educational resources and carrying out information reform in conventional schools are among the main objectives for the next 5 years.

The target markets for SKCM's interactive meeting board are state-owned enterprises and larger small-and-medium enterprises operating in multiple locations and/or branches.

5.6 Software Copyrights and other methods to protect SKCM's intellectual property

SKCM holds two computer software copyrights granted by the Copyright Protection Centre of China (中国版权保护中心) in accordance with the Regulations on Computers Software Protection and the Registration Measures for Computer Software Copyright.

Registration	Classification	Name of software	Date of first publication	Date of registration
2009SR048865	65000-6100	KSRV real time electronic global business communication software	10/10/08	26/10/09
2008SR02998	67500-0000	Kunlun video news player software	18/10/07	13/02/08

Further information on PRC copyright law is set out in section 12.8.

In addition, SKCM's software is protected by user identification and passwords.

5.7 Sales and marketing plan

SKCM proposes the following methods of marketing for the intelligent learning platform products:

- (a) for public schools, through bidding and other public tenders held by the local education administration bureaus; and
- (b) for private schools with independent procurement rights, sales calls to targeted customers by SKCM's in-house sales team.

In 2011 SKCM won a tender with the Shanghai Shidai Middle School (上海市时代中学) to supply tabled based technology used to deliver educational material; however the contract was terminated by the school due to circumstances outside SKCM's control prior to the contract being completed.

For the interactive meeting board products, SKCM's sales and marketing plan will be as follows:

- (a) for potential customers identified as key account sales, for example banks, financial institutions, large enterprises and group companies, by way of promoting SKCM's products to senior management personnel of the targeted customers, and through senior management personnel of their child entities (i.e., subsidiaries); and

- (b) for small account or retail market sales, by way of cooperating with distributors of office equipment, as well as sales calls to selected small & medium enterprises by SKCM's in-house sales team.

SKCM is a party to a product sales agency agreement under which it has appointed Shanghai UTO as exclusive agent to sell the SKCM's products within China (including Hong Kong and Macau). Further information on the agreement is set out in section 5.10(b).

Shanghai UTO (上海佑图物联网有限公司) which has experience in China's education market, will carry out all of the sales promotion work for SKCM large tablet PCs in China. So far, Shanghai UTO has signed an agreement of intent with a kindergarten chain to provide 1,000 SKCM large tablet PCs, with a total output value of A\$12 million.

SKCM also plans to export their products to overseas markets, including Australia which has been identified as the first target overseas market. For this purpose, SKCM has appointed an Australian entity, Australian Property and Investment Group Pty Ltd (APAIG), to be the authorised sales and marketing agent for SKCM's products in Australia. The terms of the Business Cooperation Agreement between the Company, SKCM and APAIG dated 19 March 2015 are set out in section 5.10(c) below.

APAIG has long been devoted to developing Australian cultural and educational fields, and owns local Chinese newspaper, Australian Chinese News. Its principal is the president of the Australia-China Business and Commerce Association, an organization established to encourage trade between China and Australia with over 100 business members, mainly Australian enterprises. With strong confidence in promoting SKCM large tablet PCs in the Australian market, APAIG is now in active negotiations with a large Melbourne junior to secondary school for the delivery of SKCM large tablet PCs in the near future. SHKL intends to use APAIG's network in Australia to build its brand and customer network in Australia.

Strategically, SKCM intends to rely on its advanced technology and close working relationships with selected reputable business associates to build a strong brand and sales network.

The Company intends to use \$4,500,000 from funds raised under the Offer for business and marketing.

5.8 Ownership structure and relevant material contracts

Chinese law restricts foreign ownership in certain industries, including value added telecommunication services, which include operations on internet content providers. To comply with this, SKCM and KSTV have entered into an exclusive consulting and service agreement (the **EC&S Agreement**) under which SKCM will in effect carry on business for the benefit of, and account for any profits arising to, KSTV. As a result, KSTV will have effective or *de facto* control, including all commercial interests in SKCM. This type of structure is known as variable interest

entity or VIE and is commonly used for Chinese based internet and technology companies listing on foreign exchanges.

KSTV was then acquired by the Company for 99,999,999 Shares issued to the Existing Shareholders.

Set out below is a summary of the material contracts which create the VIE structure and give the Company effective control of SKCM's business (together the **VIE Contracts**):

- (a) Sale and Purchase Agreement (the **S&P Agreement**) in relation to the entire issued and paid up share capital of KSTV

The Company and Fidus Custodians Limited (acting as bare nominee for the Existing Shareholders whom collectively hold the beneficial interest in the entire issued and paid-up share capital of KSTV entered into the S&P Agreement dated 24 November 2014, under which the Company acquired 10,000 ordinary shares of HKD1 each in and representing the entire share capital of KSTV for a nominal consideration of USD4,500 (or equivalent to approximately HKD35,000) to be satisfied in full by the issue of 99,999,999 Shares credited as being fully paid.

The S&P Agreement is governed by the laws of Hong Kong. The S&P Agreement was completed on 24 November 2014 and the parties' obligations have been fulfilled in accordance with terms of the agreement.

- (b) Option to Purchase Agreement (the **Call Option Agreement**) in relation to the entire equity interest of SKCM

KSTV has entered into an Option to Purchase Agreement (Call Option Agreement) dated 12 September 2014, under which Mr Shen Weiguo and Mr Zhou Xinghang (who together hold 100% of SKCM):

- (i) granted KSTV (or their nominees) a perpetual option to purchase (100%) their entire equity interest in SKCM which is registered in their names at a nominal purchase price;
- (ii) undertakes to KSTV that they will not convey, transfer or otherwise deal with the entire equity interest in SKCM which are registered in their names to any other person unless otherwise directed by KSTV; and
- (iii) irrevocably appoints KSTV as attorney to exercise all shareholder rights attaching to the entire equity interest in SKCM in their absolute and sole discretion.

The Call Option Agreement is governed by Chinese law.

- (c) Share Pledge Agreement in relation to the entire equity interest of SKCM (the **Share Pledge Agreement**)

KSTV (as pledgee) and Mr SHEN Weiguo and Mr Zhou Xinghang (as pledgers) entered into a Share Pledge Agreement dated 12 September 2014 under which Mr SHEN Weiguo and Mr Zhou Xinghang pledged their interests in the

entire equity of SKCM to KSTV as security for their performance of the Call Option Agreement.

This Share Pledge Agreement is governed by Chinese law.

(d) **Exclusive Consulting and Service Agreement (the EC&S Agreement)**

KSTV and SKCM entered into the EC&S Agreement dated 12 September 2014, under which:

- (i) KSTV will provide such consultancy and services as set out in the EC&S Agreement to SKCM for service charges calculated based on the formula set out in the EC&S Agreement;
- (ii) the cost of providing the consultancy and services is borne by SKCM; and
- (iii) the total service charged by KSTV shall be the sum equivalent to 100% of SKCM's net operating income.

The EC&S Agreement prevents SKCM from:

- (iv) selling, or otherwise dealing with, its main assets; or
- (v) create any security interests in its assets;
- (vi) increasing or decreasing its capital structure; or
- (vii) signing any agreements (including joint venture agreements with third parties) which may affect KSTV's rights under the EC&S Agreement,

without KSTV's prior consent.

The EC&S Agreement has a 15 year term with KSTV having the right to extend for 10 years. Either party may terminate the agreement following the failure by the other to remedy any breach after 15 days' notice of the breach.

The EC&S Agreement is governed by Chinese law.

5.9 Legal Opinion

The Company has obtained a legal opinion (**Legal Opinion**) from PRC counsel, China Legal Bureau (Singapore) dated 5 June 2015 on, amongst other things, the ownership structure of SHKL Group and the contractual arrangements between KSTV, Messrs Shen and Zhou and SKCM. In summary, the Legal Opinion is that:

- (a) the ownership structure of SHKL Group in China does not and will not violate any applicable PRC law, regulation or rule currently in effect; and
- (b) the contractual arrangements between KSTV, Messrs Shen and Zhou and SKCM (as the case may be) governed by PRC laws are valid, binding and enforceable in accordance with their terms and applicable PRC laws, rules and regulations currently in effect, and will not violate any applicable PRC law, regulation or rule currently in effect.

The Company has been advised by the PRC counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the Legal Opinion. If in the future the PRC government finds that any or all of the agreements do not comply with PRC government restrictions on foreign investment, the Group could be subject to severe penalties including being prohibited from continuing operations.

The Legal Opinion is reproduced in its entirety in section 0 of this Prospectus.

5.10 Other material contracts

The Group has entered into the following material contracts relating to its business:

- (a) Cooperation Agreement with Shanghai Seeyoo Electronic Technology Co., Ltd

SKCM and Shanghai Seeyoo Electronic Technology Co., Ltd (**SSET**) have entered into a cooperation agreement under which SSET has agreed to manufacture, on an OEM basis, KSTV smart conference pads and educational all in one computers for SKCM from 1 July 2014 to 30 June 2016.

Products are sold at “fair and reasonable prices” and SSET provides a two year free-of-charge quality warranty on products supplied with entire lifecycle repair.

- (b) IMB Large Screen Series Products Sale Agency Agreement with Shanghai UTO

On 1 December 2014, SKCM entered into an IMB Large Screen Series Products Sale Agency Agreement with Shanghai UTO pursuant to which SKCM granted Shanghai UTO an exclusive agency right to sell IMB large screen series products in China (including Hong Kong and Macau).

Shanghai UTO must meet certain number of orders, being 1000 orders for the first calendar year, 1,500 orders for the second calendar year and 3,000 orders for the third calendar year. SKCM may appoint other agents to sell its products if these sales targets are not met.

The duration of the agreement is to 31 December 2017. If neither party has notified the other party in writing 1 month prior to the expiry of the agreement, the term of the agreement will be automatically renewed for two years and so on.

- (c) Business Cooperation Agreement between the Company, SKCM and APAIG

On 19 March 2015, the Company and SKCM entered into a Business Cooperation Agreement with APAIG, pursuant to which APAIG is authorised to market and sell SKCM’s smart education and conferencing system. The agreement is valid for 5 years effective from the date of execution and will be automatically renewed on expiry if there have been no material breaches of the agreement.

See section 5.7 for further information on APAIG.

5.11 Use of funds raised under the Offer

The Company intends to use the funds raised under the Offer broadly as follows:

Use	A\$'000
Content acquisition: License from third party content owners	5,000
Content acquisition: In-house development costs, including salaries for material researchers, authors and programmers	2,000
Development costs for new products, including salaries for market researchers, product engineers and industrial designers	2,500
Business and market development, including print and electronic advertisements, trade shows participation costs and other marketing expenses	4,500
Corporate administration expenses for two years	1,200
Costs of the Offer	275
Payment of SKCM's liabilities resulting from losses of the Discontinued Business	1,350
Other general working capital, including payment for staff salaries, inventories and rentals	3,185
Total	20,000

Notes:

¹ See section 8.14 for details of the costs of the Offer.

This table is a statement of current intentions as at the date of this prospectus. As with any budget, any intervening event and/or new circumstance may affect the way funds will be applied. The Directors reserve the right to vary the way funds are applied on this basis.

Pending the deployment of the funds raised, such proceeds will be transferred to SKCM, the Group's operating entity, and credited as a shareholders' loan from the parent entity. Funds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis as the Directors may deem fit.

5.12 Shanghai Jugu Equity Investment Fund (上海巨谷股权投资基金)

The Company has entered into an investment agreement (**Investment Agreement**) with Shanghai Jugu Equity Investment Fund (上海巨谷股权投资基金) (**Jugu Fund**) to subscribe for 10,000,000 Shares at an issue price of A\$2.00 to raise A\$20,000,000

before issue costs. The obligation to subscribe is conditional upon the Company listing on NSX. Following subscription Jugu Fund has the right to appoint one director and nominate one independent director.

Jugu Fund has deposited a sum of A\$2,000,000 as earnest monies with the Company which are held on trust pending admission to NSX.

Jugu Fund is a fund managed by Shanghai Boye Fund Management Co., Limited (上海博冶投资管理有限公司) (www.juheinvest.cn), a fund management company operating in Shanghai, the financial centre of China. The focus of their investments is on local Chinese emerging companies and start-ups and it currently has approximately RMB1 billion (approximately A\$200 million) in funds under management.

Its legal representative is Mr HU, who holds approximately 95% of its equity. None of the Directors has any direct or indirect interest in Jugu Fund, or is associated to the directors and/or shareholders of its fund manager. Therefore, neither Jugu Fund nor Shanghai Boye Fund Management Co., Limited is associated with the Company in relation to SKCM.

The subscription price for the Shares, and hence the valuation of the Company, is derived at on a willing buyer willing seller basis after arms-length negotiations between Jugu Fund and the Company based on all information that has been disclosed in this Prospectus and due diligence undertaken by Jugu Fund. Potential investors should note that this valuation is based on one transaction with one counter-party. Therefore, there is no assurance that other counter-parties will ascribe such a valuation to the Shares and the Company, or that holders of Shares will be able to obtain this price for their Shares should they wish to sell their Shares.

Jugu Fund has confirmed to the Company that:

- (a) its investment in the Company is in pursuance and in accordance with its fund manager's investment strategy to invest in local Chinese emerging companies and start-ups; and
- (b) notwithstanding its rights to do so under the Investment Agreement, Jugu Fund currently does not have any intention to seek board representation in the Company, or to be involved in day-to-day management or exert any significant influence on the business direction of the Company or of SKCM.

5.13 Sufficiency of working capital

The Directors are of the opinion that the Company will have enough working capital to carry out its business objectives as described in this Prospectus.

5.14 Shareholding structure

The shareholding structure of the Company as of the date of this Prospectus and on close of the Offer is as follows:

	As of date of this Prospectus			On close of the Offer		
	No.	No. of Shares	%	No.	No. of Shares	%
Directors¹						
Executive Directors	3	55,949,996	55.95	3	55,949,996	50.86
Non-executive Directors	3	778,990	0.78	3	778,990	0.71
	6	56,728,986	56.73		56,728,986	51.57
Independent shareholders²						
Other Existing Shareholders	218	43,271,014	43.27	218	43,271,014	39.34
Shares issued under the Offer		N/A		1	10,000,000	9.09
Total	224	100,000,000	100.00	225	110,000,000	100.00

Notes:

- 1 Details of Directors' shareholdings are set out in section 7.3 below.
- 2 Independent shareholders are not associates of the Directors, are not substantial shareholders (as defined in the Listing Rules).

5.15 Previous Share issues

All existing 225 Shareholders of the Company were issued shares in the Company on 24 November 2014 as consideration for the acquisition by the Company of 100% effective control of SKCM. The 100,000,000 Shares in the Company were issued for a total notional consideration of US\$4,500 pursuant to a restructuring exercise carried out by the Company for the purpose of the proposed listing on NSX.

Shares in the Company were issued to 225 investors who had pooled their funds to invest in the capital of SKCM (the operating entity of the restructured SHKL Group) since 2005. The dates of investment and amounts invested by shareholders of SKCM in SKCM are shown in the following table.

Investment and issue date	Amount invested (RMB)	Exchange rate (from xe.com)	Amount invested (A\$)	Average cost per Share (A\$)
08/09/2005	5,000,000	0.16035	801,750	
16/07/2008	3,000,000	0.15409	462,270	

11/08/2008	3,000,000	0.16437	493,110	
21/05/2009	2,990,000	0.18920	565,708	
04/02/2010	6,510,000	0.16941	1,102,859	
	20,500,000		3,425,697	0.034

Each Shareholder paid cash for their shares in SKCM and their interests in SKCM were exchanged for Shares in the Company, being the listing vehicle.

Of the Shares currently on issue, 43,271,005 are held by persons other than the Directors. These Shares are not expected to be subject to escrow.

5.16 Substantial Shareholders

The following are substantial shareholders (as defined in the Listing Rules) of the Company:

Shareholder	Current		After the Offer	
	No. of Shares	%	No. of Shares	%
SHEN Weiguo	22,934,98	22.93	22,934,998	20.85
ZHOU Xinghang	22,934,998	22.93	22,934,998	20.85
ZHU Min	10,080,000	10.08	10,080,000	9.16
Shanghai Jugu Equity Investment Fund	Nil	Nil	10,000,000	9.09
Total	55,949,996	55.95	60,352,996	59.95

Messrs Shen, Zhou and Zhu are each Directors and, in accordance with the NSX Listing Rules, the Company expects that their Shares will be subject to escrow for 2 years from commencement of quotation. Messrs Shen, Zhou and Zhu have each advised the Company that they have no intention to use the votes attaching to the Shares they hold in the Company to alter its business and operations, other than as disclosed in this Prospectus.

5.17 Dividend policy

The Company does not intend to pay dividends on securities for the financial year ending 31 March 2016 (the first financial year following incorporation of the Company).

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors. However, where possible, the Directors intend to adopt a policy of declaring the highest possible rates of dividends after taking into account factors such as the availability of distributable earnings, the operating

results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors.

The Directors expect that any dividend, if paid, will be paid without franking credits.

5.18 Company tax status and financial year

The Company will not carry on business in, or operate with management control out of, Australia. Hence, the Directors do not expect the Company to be considered a tax resident in Australia. More information on Australian tax implications is set out in section 14 of the Prospectus.

The financial year of the Company ends on 31 March annually.

5.19 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company or its subsidiary or its controlled entity is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company, its subsidiary or its controlled entity.

6 RISK FACTORS

An investment in the Company is not risk free. Before deciding to trade in the Shares, Shareholders and interested investors should read the entire Prospectus, consider at least the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor.

The operating and financial performance and position of the Group, the value of Shares and the amount and timing of any dividends that the Company may pay will be influenced by a range of factors. Many of these factors will remain beyond the control of the Group and the Directors. Accordingly, these factors may have a material effect on the Group's performance and profitability which may cause the market price of Shares to rise or fall over any given period.

This section identifies the areas the Directors regard as major risks associated with an investment in the Company. This list is not intended to be an exhaustive list of the risk factors to which the Group is exposed.

6.1 Specific risks

In addition to the general risks outlined below, there are specific risks associated with the Group's existing and proposed business operations. These include:

(a) Ownership structure

Messrs Shen and Zhou are the registered holders of all of the issued share capital of SKCM. Together with SKCM they have granted the Company (via its wholly owned Hong Kong subsidiary and amongst other things):

- (i) a perpetual option to purchase 100% of SKCM for nominal consideration; and
- (ii) an exclusive consulting and service agreement.

Together with other contracts (as set out in section 5.8), the above contracts give the Company effective control over SKCM and its business, and enable the Company to substantially obtain all of the economic benefits arising from SKCM as well as consolidate the results of SKCM in the Company's results of operations.

Although the structure adopted by the Company is consistent with longstanding industry practice, and is commonly adopted by companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration and other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. If the PRC government deems that the contractual arrangements in relation to the Company's variable interest entity, SKCM, do not comply with PRC governmental restrictions on foreign investment, or

if these regulations or the interpretation of existing regulations changes in the future, the Company could be subject to penalties or be forced to relinquish its interests in SKCM.

There is also a risk that Messrs Shen and Zhou may act in breach of these agreements and/or that the Chinese authorities may not recognise the Company's rights under the agreements.

(b) Location of directors, management, assets and operations

The Company is incorporated in BVI, and its Directors, management, assets and operations are located in China. As a result, the Company may have a reduced level of title and control over those assets, reporting to shareholders and the market (through continuous and periodic disclosure) may be less reliable, and it may be more difficult for shareholders to pursue any claims against either the Company and/or its directors and management.

The location may also create challenges for the Company's auditors to access reliable information to independently verify and test information provided by management.

(c) Shareholder rights

The Company is incorporated in BVI, and the rights of Shareholders are governed by the laws of BVI. There is a risk that these rights may not be equal to the rights shareholders in Australian companies enjoy, and there may be additional costs and delays in enforcing those rights. For example and unlike Australian law, BVI law does not restrict the number of shares that can be acquired in a BVI company or require that offers are made to all shareholders on the same terms.

As set out in section 8.11(e) of this Prospectus, the rights attached to any class of shares may be varied or cancelled with the consent in writing of holders of at least 75% of the Company's issued shares or with the sanction of a special resolution passed at a meeting of the holders of shares of that class. Directors will together hold 51.57% of the Shares after the Offer. Therefore, there is a risk that in the future shareholders holding 75% of the Shares can alter or vary the existing shareholders' rights.

(d) Demand from education providers

The Group's success will to a large extent depend upon selling its products to suppliers of education in China, including public and privately owned kindergartens, junior, middle and senior schools and universities. Whilst the Group has to date successfully trialled its products in educational environments, it is yet to sell any products to its target education customers. The Group's products represent a significant investment for its customers and there is a risk that there may not be sufficient or any demand for the Group to make a profit.

- (e) Future publishing arrangements with provincial-level licensed education publishers

While SKCM does not currently provide content, it may do so in the future. SKCM's digital intelligent learning platform carries both regulated content (i.e., content which is published by approved publishers which are themselves licensed by the relevant provincial-level education authorities) and unregulated content. Any breach of publishing arrangements with these publishers, or arrangements on less favourable terms, may have an adverse impact on SKCM's operations and financial results.

These approved publishers of regulated content are owned by the respective provincial-level education authorities, while end-users (or customers) requiring regulated content would either be public educational institutions or licensed private educational institutions offering compulsory education under China's compulsory education laws. In line with China's compulsory education laws, approved publishers or regulated content must provide such regulated content to any educational institution offering compulsory education which requires such regulated content. Therefore, in the event an approved publisher of regulated content declines to license the regulated content to SKCM, the client may license the regulated content directly from the approved publisher (whom as explained above must license it to the client), who will then upload it to SKCM's digital intelligent learning platform.

Nonetheless, to mitigate the likelihood of this risk materialising, the Company, especially its senior management, will continuously engage with these licensed education publishers and their senior staff to strengthen the corporate relations with them. Based on existing interaction with and feedback from these licensed education publishers, the Directors have no reason to believe that any of them will act in a manner contrary to SKCM's interests.

- (f) Reliance on third party content providers

In addition to regulated content discussed in paragraph (d) above, SKCM may in the future be reliant on other publishers or third-party content providers (referred to as suppliers) to provide unregulated content. Any constraints or disruptions on these suppliers providing such content to SKCM, or default or inadequate performance in the provision of such content may have a material adverse effect on the Group's cost competitiveness, business, financial condition and results of operations. There is no reason for Directors to believe that any supplier will refuse to supply unregulated content, or that any loss of source of supply from any supplier cannot be replaced by sourcing from other suppliers of unregulated content. Nonetheless, to mitigate this risk, SKCM will:

- (i) invest in and build up in-house capabilities to develop suitable content to be published on its digital learning platform (and to do so will allocate a portion of the funds raised under the Offer); and
- (ii) broaden its network of suppliers so that in the event a supplier is constrained to, or is unable to, adequately provide suitable content for SKCM, such supplier can be replaced with another on no less favourable terms.

(g) Risk relating to valuation and pricing of shares

The subscription price for the Shares, and hence the valuation of the Company, is derived at on a willing buyer willing seller basis after arms-length negotiations between Shanghai Jugu Equity Investment Fund and the Company based on all information that has been disclosed in this Prospectus. The subscription price and other terms were negotiated between the Company and Shanghai Jugu Equity Investment Fund and reflect the price or valuation that they were each prepared to transact at. Shareholders and potential investors should note that this valuation is based on one transaction with one counter-party. Therefore, there is no assurance that other counter-parties will ascribe such a valuation to the Shares and the Company, or that holders of Shares will be able to obtain this price for their Shares should they wish to sell their Shares.

(h) Limited operating history

SKCM's principal products and services have only recently been introduced for commercialisation, and to date have not generated revenue. There is a risk that these products and services will not generate revenue or be profitable.

(i) Development and commercialisation

The Company's business model is reliant on its ability to develop and commercialise its principal products and services. A failure to develop its principal products and services would lead to a loss of opportunities and adversely impact on the operating results and financial position of SHKL Group. Further, any party developing superior technology or with greater commercial appeal in the fields in which the Company operates may harm its future prospects.

(j) Key personnel

The prospects of the Group depend, in part, on the entrepreneurial drive and business experience of key executives. These key personnel include all three existing executive directors. There can be no assurance that the Group will be able to retain these key personnel. The loss of a number of key personnel without replacement by, or the inability to recruit and retain, persons of similar technical skills and experience may have an adverse effect on the business. The proposed listing of the Company in part seeks to place SKCM, being a controlled entity of a publicly listed company,

in a better position to provide a more attractive career path for these key personnel in order to retain them.

(k) Internal controls

The system of internal controls currently implemented by the Group is designed for the operations of an owner-managed enterprise. It comprises a number of undocumented procedures which require the substantial hands-on involvement of the owner-manager. The Directors are of the opinion that while this system of internal control is adequate and effective for the current level of operations, it may become inadequate after the Group's business expands. The Group's internal controls, including internal financial reporting procedures, are continuously being developed and the Group will need to allocate significant resources to meet the standards of internal controls expected of a larger publicly listed company. If the Group is not able to improve and subsequently maintain the quality of the Group's internal controls, any weaknesses could materially and adversely affect the Company's ability to properly manage the operations of the Group, provide timely and accurate information about the Group's operations and finance, and could cause the Group to be susceptible to internal fraud.

The Directors will continuously review the Group's system of internal controls and ensure that they are developed to, and maintained at, a level appropriate for a publicly listed company of comparable size and scale of operations.

Any weaknesses in effective internal controls may create additional challenges in the Company complying with its continuous disclosure obligations. To mitigate risks associated with compliance with continuous disclosure obligations, the Board proposes to implement efficient and robust internal controls, including adopting the ASX Corporate Governance Council's recommendations on risk management and internal controls. In addition the Board may consider inviting other persons experienced in corporate governance within a Chinese company listed on an overseas exchange to sit on or advise the Board.

(l) Policies and regulations of the Chinese government

Service providers in the education sector in China are subject to extensive national, provincial and local governmental regulations, policies and controls. Failure to comply with the relevant laws and regulations may result in the suspension of operations and thus materially and adversely affect the business and results of operations. Additionally, compliance with such laws and regulations may require significant capital expenditures or other obligations or liabilities.

(m) Competitive activity

The Group operates in a competitive market. Competition in the education industry is based on factors such as price, perceived service quality and

brand name recognition. The Group faces competition in the domestic market in which it operates from other large domestic education service providers. These companies may have greater financial, marketing and other resources than the Group has. The Group's success depends on its ability to continue competing effectively against these competitors. Should there be any significant increase in competition or in the event that the Group is not able to compete effectively against other competitors or cope with changing market conditions by maintaining operating efficiency and improving price competitiveness, the Group's revenue and profit margins may be adversely affected.

Furthermore, the Group's products will, with respect to the office automation market, compete against a variety of alternative products and presentation solutions, including Microsoft's Surface Pro. Microsoft is a large multi-national company and there are significant risks for the Group in competing against such a large competitor.

(n) Growth and potential acquisitions

Expansion of the Group's business potentially involves the Group making acquisitions of new businesses in the same or complimentary sector. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of new businesses. The expansion of the Group's operations through acquisitions or internal growth will require the Group to continue to improve, and where appropriate, upscale its operational and financial systems, procedures and controls as well as expand, retain, manage and train its employees. There is a risk of a material adverse effect on the Group's financial performance if it is not able to manage its growth efficiently and effectively.

(o) Currency and foreign exchange

Revenue generated, and capital and operating costs incurred, by the Group will largely be denominated in the Chinese currency, the Chinese Yuan or *Renminbi*. The conversion of the Yuan into foreign currencies is regulated in China. The Group expects to report financial results in United States Dollars. As a result, the Group will be subject to foreign exchange currency risks due to exchange rate movements which will affect the Group's transaction costs and translation of its results. The cross exchange rates are affected by numerous factors outside the Group's control. These factors include the economic conditions of China, interest rates, inflation and other economic factors which may have a material adverse effect on the Group's operations and financial performance.

The value of the Yuan is subject to change in the Chinese government's policies and to international economic and political developments. There can be no assurance that the Yuan will not become volatile against other currencies or that the Yuan will not be devalued. The Company does not hedge against movements in the Yuan. There can be no assurance that -

future changes in the exchange rate of the Yuan against other currencies will not have adverse effects on the Group's financial position.

Under Chinese government regulations, all foreign enterprises must establish a “current account” and a “capital account” with a bank authorised to deal in foreign exchange. Currently, foreign enterprises are able to exchange Yuan into foreign exchange at designated foreign exchange banks for settlement of “current account” transactions, which include payment of dividends on the basis of a board resolution authorising the distribution of profits or dividends, without other regulatory approval. Conversion of the Yuan into foreign currencies for “capital account transactions” which include the receipt and payment of foreign exchange for loans, contributions and purchases of fixed assets continues to be subject to limitations and requires regulatory approval. There can be no assurance that the Group will be able to repatriate funds from China to pay dividends or satisfy foreign exchange requirements in the future.

(p) Payment of dividends

The PRC laws relating to the payment of dividends by Chinese entities is summarised in section 12. There is a risk that SKCM's ability to pay or even expatriate dividends may in the future be restricted. This could materially and adversely limit the Group's ability to grow, make investments or acquisitions that could be beneficial to its business, pay dividends, or otherwise fund and conduct its business.

(q) PRC Enterprise Income Tax Law

The PRC tax laws are summarised in section 12.6. There is a risk that the Group may be considered as a “resident enterprise” and may therefore be subject to the enterprise income tax at 25% of the Group's worldwide income, which could significantly increase its tax burden in the future. If the Group is treated as a PRC “resident enterprise”, although under the EIT Law and its implementing rules dividends paid to the Group from its Chinese subsidiaries would qualify as “tax exempted income”, the Company cannot assure you that such dividends will not be subject to a 10% withholding tax, as the State Administration of Taxation, which enforces the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes and also because the dividends of SKCM are made to the Company's Hong Kong subsidiary in the first instance.

In addition, it is uncertain whether, if the Group (or parts of it) were considered a PRC “resident enterprise”, any dividends to be distributed by it to its non-PRC enterprise shareholders would be subject to a 10% PRC withholding tax and whether any sale of its shares would be subject to a 10% PRC withholding tax. If the Company is required under the EIT Law to withhold such withholding tax with respect to dividends, or of ales of its

shares would be subject to PRC tax, shareholders' investment in Shares may be materially and adversely affected.

The PRC Individual Income Tax Law, or the PRC Individual Tax Law, imposes tax at the rate of 20% on dividends and gains realised by overseas individuals who are not domiciled or tax resident in the PRC, to the extent that such dividends or gains are sourced within the PRC. Pursuant to the Individual Tax Law and although the matter is unclear, if the Company (or parts of it), were considered a PRC resident enterprise, dividends or gains realised by the Group's non-PRC individual shareholders may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of dividends may be required to be withheld) at a rate of 20%.

(r) Tax treaty benefits on dividends received from PRC

Under the applicable tax laws effective prior to 1 January 2008, dividend payments to foreign investors made by foreign-invested enterprises in the PRC, were exempt from PRC withholding tax. Under the EIT Law, commencing from 2008, dividends paid by a PRC foreign invested enterprise to its immediate parent company outside the PRC are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding arrangement. Pursuant to a special tax arrangement between Hong Kong and the PRC, such rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise.

In October 2009, the State Administration of Taxation issued the Circular on How to Interpret and Recognize the "Beneficial Owner" in Tax Agreements (Circular 601), and certain other related rules. Accordingly, non-resident enterprises that cannot provide valid supporting documents as "beneficiary owners" may not be approved to enjoy tax treaty benefits. "beneficial owners" refer to individuals, enterprises or other organisations which are normally engaged in substantive operations. These rules also expressly exclude a "Conduit company", or a company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a "beneficial owner". As a result, although SKCM is currently effectively wholly owned by KSTV, there is a risk that the Company may not be able to enjoy the preferential withholding tax rate of 5% under the tax treaty and therefore be subject to withholding tax at a rate of 10% with respect to dividends to be paid by SKCM to KSTV because KSTV may not qualify as a beneficial owner of SKCM.

(s) Legal considerations

China operates under a civil law system. This system is different from the common law system which exists in Australia and in BVI. While individual court decisions in China may be noted for reference, they may not have

precedent value. Although legislative reforms during the last two decades have significantly enhanced the protection enjoyed by enterprises in China, some of these laws, regulations and measures are relatively recent and their interpretation and enforcement remain uncertain. In addition, the legal system in China is subject to continuing development in areas such as foreign investment, tax and foreign exchange and these could adversely affect the operations of the Group's operating companies.

Should it be necessary for the Company to enforce its legal rights in relation to its business it would need to do so in accordance with the laws of China and perhaps other jurisdictions. If multiple jurisdictions or cross-border issues are involved the matters may well attract unusual complexities which may result in added costs.

(t) Political, economic and social reforms

The Chinese economy has gradually changed from a centralised economy to a market economy. This reform has, among other things, resulted in significant economic growth. Political, economic and social factors may lead to further readjustment of the reforms already in place. However, there is no assurance that any change that occurs as a result of political, economic or social reforms in China will have a positive effect on China's economic development or that the Group's operating companies will benefit from or will be able to capitalise on these reforms. There is a risk that the Group's operating companies' operations, markets and financial position may be adversely affected by these continuing changes.

(u) Manufacturing risks

SKCM relies on contract manufacturers to manufacture its hardware (primarily large scale screens). SKCM and Shanghai Seeyoo Electronic Technology Co. Ltd have entered into a contract under which Shanghai Seeyoo Electronic Technology Co. Ltd manufactures SKCM's current range of products.

Any shortfall in available production capacity or defects could significantly affect SKCM's ability to deliver its products on time, which may result in a loss of turnover and may damage its relationships with customers. If the costs of manufacturing increase and SKCM is unable to pass on such higher costs to its customers, its profit margins may be significantly reduced, thereby affecting its financial condition and operations.

6.2 General investment risks

In addition to the above specific risks associated with the Group's existing and proposed business operations there are also general risks associated with an investment in the Shares. These include:

(a) Investment in securities

Shareholders and interested investors should be aware that there are risks associated with any investment in securities such as the Shares, and should recognise that the price of securities may fall as well as rise. In particular, the trading price of securities at any given time may be higher or lower than the price paid by the investor for these securities. Further, there can be no assurance that an active trading market will develop in the Shares.

Many other factors will affect the price of the Shares, including general fluctuations in the performance of local and international stock markets, movements in interest and exchange rates, general as well as industry-specific economic conditions and investor sentiment. Stock markets have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. There can be no guarantee that trading prices and volumes of any securities will be sustained. These factors may materially affect the market price of the Shares, regardless of the Group's operational performance.

No guarantee can be given by the Company in respect of the payment of dividends, any returns of capital or the market value of the Shares. Such issues are dependent on the Group's performance after listing, the control of costs and the need for working capital and other funding requirements.

(b) Economic risk

Changes in the general economic climate in which the Group operates may adversely affect the financial performance of the Group. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Group, industrial disruption and the rate of growth of the gross domestic product in China where it operates, interest and exchange rates and the rates of inflation.

No assurances can be given or forecasts made regarding the continuing strong growth experienced by the Chinese economy nor whether or when it will slow materially or shrink. If the Chinese economy does not continue to grow or if it slows materially, stops growing or goes into recession, there may be a diminished market for the Group's services. This would have a material adverse effect on the performance and profitability of the Group.

(c) Changes in legislation and government regulation

The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Group. In addition, any adverse changes in political and regulatory conditions in China, BVI or Australia could affect the prospects of the Group's operating companies or those of the Group as a whole. Financial and economic changes such as changes in both monetary and fiscal policies, import regulations and tariffs, taxation, methods of taxation and currency exchange could affect the profitability of the Group and adversely affect the return to Shareholders.

(d) Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of applying for Shares under this Prospectus.

7 DIRECTORS AND CORPORATE GOVERNANCE

7.1 Directors

The Company is managed by the board of Directors which currently comprise of:

Name	Age	Designation
ZHANG Yeping	54	Independent, Non-executive Chairman
ZHOU Xinghang	59	Executive Director
SHEN Weiguo	51	Executive Director
ZHU Min	42	Executive Director
ZHANG Sunyan	67	Independent, Non-executive Director
WU Jiping	51	Independent, Non-executive Director
QIAO Xinmin	45	Independent, Non-executive Director



The Company's Board (excluding QIAO Xinmin) and Mr Hu Leo of Juge Funds, with an 85 inch touch pad.

The business and working experience of each Director is summarised below:

- (a) ZHANG Yeping (appointed 24 November 2014)

Mr Zhang has more than 25 years' experience in the corporate sector, including senior management roles in companies in diverse industries such as construction, mining and natural resources. He is a graduate from Shanghai Jiaotong University, a Top-10 university in China and ranked 123rd in the QS World University Rankings® 2013/4.

Mr Zhang resides in Shanghai, PRC.

(b) ZHOU Xinghang (appointed 24 November 2014)

Mr Zhou graduated with a journalism degree from Fudan University, another Top-10 university in China which is ranked 88th in the QS World University Rankings® 2013/4. After graduation, he worked as a journalist in one of China's largest media group for 13 years. His last posting was as senior reporter in that media group's *Xinmin Evening News*. Xinghang also has more than 10 years corporate management experience, during which he held senior management positions in the China operations of a large Japanese building materials supplier and in a listed Chinese pharmaceutical company. He was also Shanghai representative of the Brazil-China Chamber of Commerce and Industry. He is one of the two co-founders of SKCM in 2005.

Mr Zhou resides in Shanghai, PRC.

(c) SHEN Weiguo (appointed 24 November 2014)

Mr Shen has more than 25 years of experience in the cultural administration and media industries, both in the public sector as well as the private sector. His experience includes successfully organising several large scale international cultural exchange programmes. Weiguo was educated in Japan as well as in China where he graduated with a degree in economics management. He is the other co-founder of SKCM in 2005.

Mr Shen resides in Shanghai, PRC.

(d) ZHU Min (appointed 24 November 2014)

After graduating with a commerce degree from a Japanese university, Mr Zhu worked for a number of Japanese corporations such as Japan NEC, and in a senior management role in the China joint-venture company of Jedat Inc. and Agro Graphics Inc., both whom are Japanese listed companies in the IT services industries. Mr Zhu joined SKCM in 2013.

Mr Zhu resides in Shanghai, PRC.

(e) ZHANG Sunyan (appointed 24 November 2014)

Mr Zhang has extensive experience in academia, research & development and corporate sector, all in the field of information technology. In academia, Sunyan has tutored and lectured in Shanghai University and in Shanghai Jiaotong University, while in the corporate sector, he held senior positions in various electronics and information technology companies. He is a computer science graduate from Shanghai University.

Mr Zhang resides in Shanghai, PRC.

- (f) WU Jiping (appointed 24 November 2014)

Mr Wu has more than 25 years of technical and management experience in the construction, building and real estate industries. He is currently deputy general manager of a local real estate company. Jiping is a civil and structural engineering graduate from Tongji University.

Mr Wu resides in Shanghai, PRC.

- (g) QIAO Xinmin (appointed 24 November 2014)

Mr Qiao has more than 25 years of management experience gained in various companies in diverse industries such as hospitality, interior construction and building materials, including work stints in one of the earliest five-star international hotels in Shanghai.

Two of the executive directors, namely ZHOU Xinhang and SHEN Weiguo (who together own all of the issued shares of SKCM) have been involved in the management of SKCM since its inception in 2005, including during the time it carried on the Discontinued Business. The remaining Directors were appointed to the Company as part of the reorganisation of SCKM for its listing on NSX.

7.2 Senior management

To assist the Board to carry out its duties and functions in an effective and efficient manner, it is the Board's practice to appoint one or more senior management personnel who must be bilingual in the English and Chinese languages and must have experience with either the financial or legal sectors in a commonwealth jurisdiction, to act as the secretary to the Board. The secretary to the Board also acts as the Company's Chief Compliance Officer. The current secretary to the Board is:

- (a) PAN An (Peter) (appointed 24 November 2014)

Peter is a computer science graduate from Nilai International University in Malaysia, and has more than 8 years' experience advising and consulting Chinese companies listing in Australia. A substantial portion of this experience was gained as China liaison and marketing representative of an Australian law firm who is currently also a licensed nominated adviser of NSX. Peter is bilingual in the English and Chinese languages.

- (b) SHEN Rongyu

Ms Shen is the Group's in-house legal counsel. Ms Shen holds a Bachelor of Laws and a Masters in International Commercial Law from Fudan University awarded in 1996. She became a registered lawyer in 1991 and has been practicing law for 25 years. Ms Shen has extensive experience in investments, mergers and acquisitions law, internal control management for domestic and overseas listed companies, intellectual property, labour security law and litigation.

7.3 Directors' holdings

The Directors' interests in the Company's Shares as at the date of this Prospectus are as follow:

	Directly Held	Indirectly Held
ZHANG Yeping	166,660	Nil
ZHOU Xinghang	22,934,998	Nil
SHEN Weiguo	22,934,998	Nil
ZHU Min	10,080,000	Nil
ZHANG Sunyan	Nil	Nil
WU Jiping	279,000	Nil
QIAO Xinmin	333,330	Nil

It is expected that Directors Shares will be escrowed for 2 years from listing.

7.4 Remuneration received by the Directors and their related entities

The Directors will, at the next AGM, seek Shareholder approval to be paid Directors' fees of A\$250,000 in total. In addition, the Directors will be paid the following remuneration by the Company:

	Wages, salaries and/or bonuses	Benefits paid in the previous 2 years prior to the date of this Prospectus
ZHANG Yeping	Nil	Nil
ZHOU Xinghang	RMB120,000 per annum	RMB120,000 per annum
SHEN Weiguo	RMB120,000 per annum	RMB120,000 per annum
ZHU Min	RMB120,000 per annum	RMB120,000 per annum
ZHANG Sunyan	Nil	Nil
WU Jiping	Nil	Nil
QIAO Xinmin	Nil	Nil

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for

reasonable out of pocket expenses incurred as a result of their directorship or any special duties.

7.5 Shareholder loans

Messrs Zhou and Shen are together owed RMB 11,587,759 by SCKM and being for funds advanced to SCKM from time to time for working capital. The loans do not accrue interest and are repayable once SCKM generates profit and is able to pay dividends.

7.6 No other Directors Interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer; and
- (d) no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:
 - (i) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
 - (ii) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

7.7 Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance appropriate for its circumstances, size and operations.

The Board is concerned to adopt, review and continually develop policies and procedures to:

- ensure that it acts with due care and diligence and in the interests of shareholders;
- adequately identify and deal with conflicts of interest at board, management and employee levels;
- protect shareholder interests, including: access to information, voting rights, share of profits, equitable treatment; and
- protect the interests of stakeholders including: employees, creditors, and the wider community.

With reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition), the Board has adopted what it

considers to be appropriate corporate governance policies and practices having regard to its size and nature of activities. The Company's main corporate governance policies are set out below and will be available on the Company's website (www.kstv-e.com):

- (a) Board Charter;
- (b) Code of Conduct;
- (c) Continuous Disclosure Policy;
- (d) Securities Trading Policy; and
- (e) Corporate Governance Statement.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board and Management functions - Recommendation 1.1

The roles and responsibilities of the Board and management are set out in the Board Charter, which will be available on the Company's website.

The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in the Board Charter.

The Board Charter also provides for the Company's statement of delegated authority to set out the Company's policy relevant to the delegation of authority to management to conduct the day to day management of the Company.

The Company recognises that the roles and functions of the Board must necessarily be flexible to deliver the Company's objectives.

Electing or re-electing a director - Recommendation 1.2

The process of appointment and re-election is set out in the Board Charter.

The Company will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director.

The Board will provide shareholders with all material information in the possession of the company to enable shareholders to make an informed decision on the appointment and re-election of directors.

Director and senior executive agreements - Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment.

Company secretary - Recommendation 1.4

The Company secretary is appointed and removed by the Board and reports to, and is directly accountable to, the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Diversity Policy - Recommendation 1.5

The Company does not currently have a diversity policy but is committed to developing a business model that values and achieves diversity on its workforce and on its Board. The company intends to develop a diversity policy which will be

announced to NSX is due course and will be made available on the Company's website. Management will monitor and report to the Board in the Company's progress on the development of its diversity policy.

Performance Evaluation - Recommendations 1.6 and 1.7

The Board is responsible for the evaluation and review of the performance of the Board and its committees (if any) and Senior Executives.

The Chair is primarily responsible for the evaluation and review of the performance of individual non-executive directors. The Chair should disclose the process for evaluating the performance of those directors.

The Board (other than the Chair) is responsible for the evaluation and review of the performance of the Chair and review of the effectiveness and program of Board meetings.

The process of the performance evaluation of the Board, its committees (if any), directors and senior executives, generally involves an internal review. From time to time as the Company's needs and circumstances require, the Board may commission an external review of the Board, and its composition.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Nomination Committee and Board skills matrix - Recommendations 2.1 and 2.2

The Company believes it is not of a size to justify a Nomination Committee. If vacancies arise on the Board, all directors are involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from the resources industry and broader business backgrounds. The Board will establish a skills matrix setting out the mix of skills and diversity that the Board currently has or is seeking to acquire.

Independence of directors - Recommendations 2.3, 2.4 and 2.5

The Board is comprised of a majority of independent directors. The Board comprises three executive directors (Messrs Zhou Xinghang, Mr Shen Weiguo and Me Zhu Min) and four non-executive directors (Messrs. Zhang Yeping, Zhang Sunyan, Wu Jiping and Qiao Xinmin). The three executive directors are substantial shareholders of the Company and are not considered to be independent directors in terms of the ASX Corporate Governance Council's discussion of independent status. Despite this relationship, the Board believes that Messrs Zhou, Shen and Zhu are able, and will make quality and independent judgments in the best interests of the Company on all relevant issues before the Board. Messrs. Zhang Yeping, Zhang Sunyan, Wu Jiping and Qiao Xinmin are considered to be independent directors in terms of the ASX Corporate Governance Council's discussion of independent status.

The Chair is a non-executive director and the roles of Chair and Chief Executive Officer are exercised by different individuals.

Directors are entitled to seek independent professional advice at the Company's expense in the furtherance of their duties.

Under the Company's M&A, no director except the Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the director's election without being submitted for re-election. At every annual general meeting one third of the Directors or the number nearest to but not exceeding one third must retire from office and are eligible for re-election.

Director induction and development - Recommendation 2.6

Induction, training and continuing education arrangements are the subject of the terms and conditions of the appointment of members to the Board. The requirement for the Board to implement an appropriate induction and education process for new Board appointees and Senior Executives is set out in the Board Charter on the Company's website. The process is designed to enable Board appointees and Senior Executives to gain a better understanding of: the Company's financial, strategic, operational and risk management position; the rights, duties and responsibilities of the directors; the roles and responsibilities of Senior Executives; and the role of Board committees (if any).

PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

Code of conduct - Recommendation 3.1

The Board has adopted a formal Code of Conduct to promote lawful, ethical and responsible decision-making by directors, management and employees. The Code promotes compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Code of Conduct will be available on the Company's website.

Policy for trading in Company's securities

The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees which raises awareness of the law in relation to insider trading, specifies blackout periods and provides notification protocols. The trading policy will be available on the Company's website.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit Committee - Recommendation 4.1

The Company does not currently have an Audit Committee. The Board considers that the formation of an Audit Committee is not warranted at this time given the stage of the Company's development.

The Board will at some time consider forming an Audit Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure.

Financial Statements - Recommendation 4.2

The Board as a whole acts as the Audit Committee and performs the functions thereof including the making sure that the financial records of the Company have been properly maintained and that the Company's financial statements comply

with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Auditor attendance at AGM - Recommendation 4.3

The opportunity for shareholders to question a listed entity's external auditor at the AGM is an important safeguard for the integrity of the corporate reporting process. For companies incorporated in Australia, such opportunity is provided by sections 250PA, 250RA and 250T of the Corporations Act. As the Company is established outside Australia, it is not subject to the provisions of the Corporations Act and there are no equivalent provisions under the law of its home jurisdiction. The Company will however make a representative of the auditor available at its AGM to enable shareholders to ask questions relevant to the audit.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure Policy - Recommendation 5.1

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price-sensitive information to shareholders through the lodgment of announcements with NSX. Clear procedures govern the preparation, review and approval of all announcements. The Company's Continuous Disclosure Policy will be available on its website.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

Communications Policy - Recommendation 6.1

The Company is committed to open and accessible communication with its shareholders, employees, customers and other stakeholders.

The Company will publish all relevant announcements on its website after NSX has acknowledged that the announcements have been released. The Continuous Disclosure Policy can be found on the Company's website. Subject to NSX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts and will publish the information on its website.

Investor relations - Recommendations 6.2, 6.3 and 6.4

The Board is responsible for the communication strategy to promote effective communications with investors and to encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings and through its share registry offers to members the option of receiving shareholder communications electronically.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Risk Management - Recommendations 7.1, 7.2, 7.3 and 7.4

The Board is committed to ensuring that the risks associated with the Company's business activities are properly identified, monitored and managed and to embedding in its management and reporting systems a number of risk management controls. Operational management regularly reviews the risks and controls and

updates the Board in light of changing circumstances and emergent risk factors and weightings.

The Board considers that the Company is not of a size sufficient to warrant the establishment of an internal audit function or a risk management committee. The Company does however employ appropriate processes for continually improving the effectiveness of risk management and internal control processes.

The Chief Executive Officer is required to provide a declaration in writing to the Board as to whether the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of internal control and that the system is operating effectively in all material respects in relation to financial risks.

Aside from the risks outlined in section 6, the Company does not have material exposure to other economic, environmental or social sustainability risks.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee - Recommendations 8.1, 8.2 and 8.3

The Directors consider the current size of the Board does not warrant the establishment of a separate Remuneration Committee. However, the Board will at some time consider forming a Remuneration Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure. Nonetheless the Board is committed to ensuring that the principles of fair and responsible remuneration govern its operations.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

Further information on the Group's corporate governance policies and practices can be found on the Company's website at <http://www.kstv-e.com>.

8 DETAILS OF THE OFFER

8.1 Details of the Offer

The Company has entered into the Investment Agreement, under which Shanghai Jugu Equity Investment Fund (上海巨谷股权投资基金) will subscribe for 10,000,000 Shares at an issue price of A\$2.00 to raise A\$20,000,000 before issue costs. The obligation to subscribe is conditional upon the Company listing on NSX.

Information on Jugu Fund is set out in section 5.12.

8.2 Secondary sale of Shares (in the form of CDIs)

The Company currently has 100,000,000 Shares on issue. These Shares were issued without disclosure under Chapter 6D the Corporations Act.

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to offer those securities for sale within 12 months of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are quoted securities of the body; and
- (b) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made.

This Prospectus will comply with section 708(11) of the Corporations Act so that Shares held by persons other than controllers of the Company are able to be offered for sale within 12 months of their issue.

8.3 Minimum Subscription

There is no minimum amount sought to be raised by the Offer.

8.4 Opening and closing dates

The Offer will open following the expiry of the exposure period (as provided in section 727(3) of the Corporations Act and close following receipt of a letter from NSX setting out the conditions upon which NSX will admit the Company's securities for quotation on NSX (with such conditions being acceptable to the Company).

8.5 Application for Shares

This Offer is being extended by way of private placement to Shanghai Jugu Equity Investment Fund, and is not open to the public.

8.6 Brokers

As at the latest practicable date prior to the date of this Prospectus, there are 25 brokers registered as participant brokers of NSX, and they are the only brokers who can execute trades on NSX. Full profiles of these participant brokers are available on the NSX website under the For Brokers | Brokers List tab.

8.7 Information about NSX

In February 2000, NSX became the second stock exchange to be approved under the then Corporations Law in Australia and is licensed under the Corporations Act. NSX is a fully operational and fully regulated stock exchange. NSX creates a market for a wide range of interests including alternative investments and traditional equity securities. The investments listed by NSX cover various areas of the economy that require a market platform. NSX is focused on listing small to medium-sized enterprises, as there is a great need for growth entities to have a capital market in which they can raise further capital and provide a mechanism for the transferability of shares or other listed interests.

Additional information about NSX and the market which it operates can be obtained on its website (www.nsx.com.au).

8.8 NSX Listing

The Company will apply to National Stock Exchange of Australia Limited (NSX) within 7 days of the date of this Prospectus for admission to the Official List and for official quotation of its CDIs on NSX. If NSX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act including the return of all application moneys without interest.

The fact that NSX may list the Company's securities is not to be taken in any way as an indication of the merits and commercial viability of the Company or the listed securities. NSX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Prospectus.

The Directors expect that trading of the Shares on the stock market conducted by NSX will commence as soon as practicable after approval for admission to the Official List of NSX is granted and all conditions (if any) applicable thereto have been fulfilled.

8.9 Nominated Adviser

Companies intending to list on NSX are required to have a Nominated Adviser. It is contemplated that, with a Nominated Adviser for each entity, investors will be offered better protection because Nominated Advisers are required to make sure that companies meet the on-going requirements for listing on NSX and the

requirements of the Act. The Company has appointed Kings Park Corporate Lawyers as Nominated Adviser.

8.10 Restricted securities

The NSX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on NSX.

None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.

The Company has no voluntary escrow arrangements in place.

8.11 Rights and liabilities attaching to Shares and CDIs

Full details of the rights and liabilities attaching to the Shares are:

- (a) detailed in the Company's Memorandum and Articles of Association (its constituent documents, which are the equivalent of an Australian company's constitution) (**M&A**), copies of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- (b) in certain circumstances, regulated by BVI law (in particular the BVI Business Companies Act, as from time to time amended or restated (**BC Act**), the Listing Rules and the general law; and
- (c) in the case of CDIs, the ASX Settlement Operating Rules.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

The summary applies also to CDIs and CDI holders, unless specified otherwise. See section 8.13 for details of CDIs and why CDIs will be used to trade Shares on NSX.

(a) Voting rights

Each Share confers on the Shareholder the right to one vote at a meeting of Shareholders or on any resolution of Shareholders passed in accordance with the M&A. Subject to the M&A, Listing Rules and any rights or restrictions on voting which may attach to or be imposed on any class of shares (at present there is only one class of shares):

- (i) each Shareholder who is entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every Shareholder present in person or by proxy, attorney or representative has 1 vote; and

- (iii) on a poll, every Shareholder present in person or by proxy, attorney or representative has 1 vote for each Share held by that Shareholder.

To exercise their voting rights, a holder of CDIs must either:

- (i) direct CDN in advance of the meeting to appoint the holder or a person nominated by the holder as CDN's proxy in relation to the number of CDIs the holder holds to attend and vote at the meeting; or
- (ii) direct CDN how to vote in advance of the meeting.

(b) Dividends

Each Share confers on the Shareholder a right to an equal share in any dividend paid whether paid in cash or otherwise by the Company.

The Directors may authorise a Distribution (defined in the M&A as being a distribution by the Company to Shareholders made or to be made by way of direct or indirect payment of cash or transfer of an asset or a combination thereof in relation to Shares held by the Shareholders, including the payment of a dividend) at a time and of an amount thought fit if they are satisfied, on reasonable grounds, that immediately after the Distribution (a) the value of the Company's assets will exceed its liabilities; and (b) the Company will be able to pay its debts as and when they fall due. The M&A provides that Distributions may be paid in money or by way of transfer of other property or a combination thereof.

All Distributions remaining unclaimed for three (3) years after declaration may be forfeited for the benefit of the Company.

(c) Future issues of securities

Subject to the Listing Rules, the Directors may allot and issue Shares to any persons, on any terms and conditions, at such price and times, as they may think fit. Shares may be issued with any preferential, deferred or special rights, privileges or conditions, or with any restrictions (as to dividend, voting, distribution of surplus assets or otherwise) as the Directors may determine. Shares must be fully paid up or credited as being fully paid up on issue.

The Directors may also grant a call or option over any Shares at any time and for any consideration.

(d) Transfer of Shares

Subject to the M&A, the BC Act, the Listing Rules and the ASX Settlement Business Rules, a Shareholder may transfer all or any of his Shares by a transfer document in writing in the usual or common form or in any other form prescribed by the Directors or, in particular circumstances, which the Directors agree to accept.

The transfer document must be signed by or on behalf of the transferor or as otherwise permitted by the BC Act and must be accompanied by the certificates for the Shares to be transferred and any other evidence of title required by the Directors. The M&A contains certain restrictions on transfer.

The transfer of a Share is effective when the name of the transferee is entered on the register of members of the Company.

(e) Variation of Rights

Subject to the BC Act and the Listing Rules, unless otherwise provided by the terms of issue of the shares of that class, all or any of the rights and privileges attached to any class of shares may be varied or cancelled with the written consent of the holders of at least 75% of the issued shares of that class or with the sanction of a Special Resolution (as defined in the M&A) passed at a meeting of the holders of the shares of that class.

(f) Meetings and Notices

The Company must hold an annual general meeting once in every calendar year and not more than fifteen months after the holding of the last preceding annual general meeting. Annual general meetings must be held in accordance with the M&A and the Listing Rules.

The Directors may convene a general meeting of the Company, whether an annual general meeting or an extraordinary general meeting, whenever they think fit and, subject to notice being given to all persons entitled to receive notice of the meeting, a general meeting may be held at any place and at any time. Shareholders may requisition general meetings of the Company in accordance with the M&A.

Notice of every annual general meeting, extraordinary general meeting and meeting of any class of members must be given in accordance with the M&A to the Shareholders and those persons otherwise entitled under the M&A to receive notices. Notices must contain or be accompanied by all information required by the Listing Rules. Under the M&A, a general meeting of the Company or a meeting of any class of members must be called by written notice of not less than 28 days.

(g) Election of Directors

For as long as the Company is listed, the minimum number of Directors is 3 and, until otherwise determined by the Company in general meeting, the maximum number of Directors is 10.

Subject to the Listing Rules and the M&A, each Director may not hold office (without re-election) past the third annual general meeting following his appointment or election or three years, whichever is longer. Unless otherwise determined by a resolution of Shareholders, for as long as the Company is listed, one-third of the Directors (or the whole number nearest one-third) must retire from office at each annual general meeting and the

Directors to retire will be those who have been longest in office since their last election. These retirement rules do not apply to the managing director. A Director who retires or whose office is vacated under the M&A is eligible for election or re-election to the Board.

The election of Directors must be made by way of a resolution of Shareholders, but the Directors have the power at any time and from time to time to either fill a casual vacancy or as an addition to the Board. A director appointed by the Directors must retire from office, and will be eligible for re-election, at the next annual general meeting following his appointment.

The M&A sets out the eligibility requirements for election as a Director. There is no share qualification requirement for the Directors.

(h) Winding Up

The Company may by a resolution of Shareholders or, subject to the BC Act, a resolution of the Directors, appoint a voluntary liquidator.

Subject to rights of the holders of shares issued upon special terms and conditions, Clause 7 of the Memorandum of Association of the Company, the M&A and the Listing Rules, if in a winding up, there remain any assets available for distribution to Shareholders, such surplus assets will be distributed in proportion to the number of Shares held by the Shareholders. The liquidator may, with the sanction of a Special Resolution, distribute the assets in specie or kind.

(i) Shareholder Liability

The Memorandum of Association of the Company states that the Company is a company limited by shares. The BC Act provides that a member of a limited company has no liability, as a member, for the liabilities of the company.

(j) Alteration to the Memorandum and Articles of Association

Pursuant to the Memorandum of Association of the Company, subject to Clause 8 thereof, the Company may amend the M&A by a resolution of Shareholders.

(k) Listing Rules

If the Company is admitted to trading on the Official List (as defined in the M&A), then despite anything in its Memorandum and Articles of Association, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Company's Memorandum and Articles of Association prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Company's Memorandum and Articles of Association to contain a provision and they do not contain such a provision, the Company's

Memorandum and Articles of Association are deemed to contain that provision. If the Listing Rules require the Company's Memorandum and Articles of Association not to contain a provision and they do contain such a provision, the Company's Memorandum and Articles of Association are deemed not to contain that provision. If a provision of the Company's Memorandum and Articles of Association is inconsistent with the Listing Rules, the Company's Memorandum and Articles of Association are deemed not to contain that provision to the extent of the inconsistency.

8.12 CHES

NSX has established a transfer service agreement between NSX and ASX CHES. This agreement recognises the NSX as an Australian market operator pursuant to the ASX Settlement and Operating Rules and allows NSX to be a recipient of the transfer service provided by ASX.

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHES**), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the NSX Listing Rules and ASX Settlement Operating Rules. On admission to CHES, the Company will operate an electronic issuer-sponsored subregister and an electronic CHES subregister. These two subregisters together will make up the Company's principal register of securities.

Under CHES, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive holding statements that set out the number of Shares each Shareholder owns. If a Shareholder is broker-sponsored, ASX Settlement will send that shareholder a CHES statement. This statement will also advise shareholders of either their Holder Identification Number (**HIN**) in the case of a holding on the CHES sub-register or Security Holder Reference Number (**SRN**) in the case of a holding on the issuer-sponsored sub-register.

A CHES statement or issuer-sponsored statement will routinely be sent to Shareholders at the end of every calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time; however a charge may be imposed for additional statements.

BVI law does not recognise the electronic CHES subregister, and beneficial ownership of Shares held on the CHES sub-register will be held in the form of CDIs.

8.13 CDIs

(a) What are CDIs?

CHES Depositary Interests, or CDIs, are a form of beneficial interest in Shares (sometimes called a depositary receipt), rather than a holding of Shares themselves. This means that a depositary nominee holds Shares on behalf of the CDI holder as trustee, and passes through all benefits accruing to the underlying Shares such as dividends, capital returns, bonus issues, and rights to take up new shares in entitlement issues.

One CDI represents an interest in 1 underlying Share.

(b) Why issue CDIs?

The issue of CDIs instead of Shares is necessary because there is no provision under the BVI Business Companies Act, 2004 (as amended) for companies incorporated thereunder to participate in uncertificated electronic share trading systems such as ASX's CHESS system. Accordingly, Shares will instead be issued directly to CHESS Depositary Nominees Pty Ltd (CDN), which is a special purpose subsidiary of ASX that has been set up to act as depositary nominee and trustee for CDI holders. Successful applicants, and all other Shareholders, will receive CDIs which represent an interest in the Shares held by CDN.

The Company will issue holding statements for CDIs in exactly the same way that holding statements are issued for uncertificated shares that are traded on NSX.

(c) What are the main differences between Shares and CDIs?

The main difference is that a CDI holder is not the registered holder of Shares. The Shares are held in the name of CDN, which issues CDIs representing those Shares. However, as the beneficial owner of the same number of Shares which are represented by a number of CDIs, a CDI holder effectively has all the benefits of share ownership with the exception of the right to vote directly in person at a general meeting.

A CDI holder may attend and vote at a general meeting as proxy for CDN in relation to such number of CDIs the holder holds. Therefore, for a holder of CDIs to exercise voting rights relating to the CDIs, the holder must either:

- (i) direct CDN in advance of the meeting to appoint the holder or a person nominated by the holder as CDN's proxy in relation to the number of CDIs the holder holds to attend and vote at the meeting; or
- (ii) return voting direction forms in advance of the general meeting, which direct CDN how to vote on a particular resolution. CDN is then obliged under the ASX Settlement Operating Rules to lodge proxy votes in accordance with the directions of CDI holders.

Other aspects of direct Share ownership are, in effect, enjoyed by CDI holders including direct payment of dividends and other distributions, direct receipt of notices of meeting, annual reports and other information from the Company, and rights to take up new shares in entitlement issues. The Company's Share Registry will maintain a register of CDI holders to facilitate direct communications and dealing in this way.

(d) Can CDIs be converted into Shares?

Holders of CDIs can elect to convert their CDIs into the underlying Shares. This will result in the cancellation of the CDIs and the transfer of the Shares from CDN to the former holder of the CDIs. However, any such Shares cannot be traded on NSX unless they are first converted back into CDIs by

reversing the above procedure. CDI holders should contact their sponsoring participant (this will usually be the stockbroker who bought the CDIs for you) or the Share Registry for more information on the procedure.

8.14 Expenses of the Offer

The total estimated expenses of this Prospectus are estimated to be A\$275,000, consisting of the following:

Nature of Expense (excluding GST)	Estimated Amount
Legal Fees (including fees for offshore lawyers)	\$100,000
Investigating Accountants	\$16,500
Nominated Adviser	\$12,500
Registered agent / Share registrar	\$7,000
NSX application fee	\$70,000
ASIC filing fee	\$5,000
Corporate Advisor	\$40,000
Other miscellaneous expenses	\$24,000
Total	A\$275,000

9 FINANCIAL INFORMATION FOR THE GROUP

9.1 The Company

The Company was incorporated in and under the laws of the British Virgin Islands on 29 October 2014 and was registered under the Corporations Act, 2011 on 11 December 2014. Since 24 November 2014, the Company has traded through KSTV and SKCM.

9.2 SKCM and KSTV

SKCM, a company registered in China, is the principal operating subsidiary of the Company, with the benefit of SKCM's business being acquired by KSTV on 12 September 2014, which in turn was acquired by the Company on 24 November 2014.

9.3 Financial information

HLB Mann Judd has prepared an Investigating Accountant's Report which incorporates the following information:

- (a) the historical Statement of Financial Position of SKCM as at 31 March 2015, and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity of SKCM for the period from 1 January 2014 to 31 March 2015; and
- (b) the pro forma Consolidated Statement of Financial Position of the Company as at 31 March 2015, the pro forma Consolidated Statement of Comprehensive Income, pro forma Consolidated Statement of Cash Flows and pro forma Consolidated Statement of Changes in Equity of the Company and its controlled entities for the period from 1 January 2014 to 31 March 2015 as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 31 March 2015:
 - (i) the issue by the Company pursuant to this Prospectus of 10,000,000 Shares issued at A\$2.00 per share raising \$20,000,000 before expenses of the offer;
 - (ii) the write off against issued capital of the expenses of the issue of A\$275,000; and
 - (iii) the settlement of pre-existing creditors of approximately A\$1,342,328.

The historical financial information presented in the Investigating Accountant's Report is the historical financial information of SKCM as at 31 March 2015 which has been subject to audit by J. K. Tan & Co (J. K. Tan & Co), Chartered Accountants in Malaysia.

The proforma consolidated financial information has been prepared using a balance date of 31 March 2015 corresponding to the most recently available financial information of SKCM subject to external audit and is prepared on the basis that the Company and KSTV were in existence as at 31 March 2015 and the acquisitions of SKCM and KSTV had occurred as at that date.

The historical financial information as set out in the Investigating Accountant's Report insofar as it relates to SKCM has been extracted from the interim financial statements of SKCM for the period from 1 January 2014 to 31 March 2015 which have been subject to audit by J. K. Tan & Co.,. The audit report of J. K. Tan & Co. on those financial statements contained a qualified opinion in relation to other receivables of RMB 5,021,153 included in the statement of financial position as at 31 March 2015 which stated that a specific provision for doubtful debts of RMB 3,388,235 should be made against this receivable. Accordingly, the financial information contained in the Investigating Accountant's Report includes an allowance for doubtful debts of RMB 3,388,235 (approximately \$718,306) as an adjustment to arrive at the historical audited adjusted financial statements.

Furthermore, the audit report on those financial statements contained an emphasis of matter in relation to going concern. The audit report stated that the shareholders of SKCM had agreed to provide financial support in order to enable SKCM to continue its operations and that, if this financial support was not forthcoming and as a result SKCM were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the fact that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position.

HLB Mann Judd has performed a review of the historical and pro forma financial information of the Company and its controlled entities as at 30 June 2014 in accordance with Australian Auditing Standards applicable to review engagements.

Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The financial information presented is in abbreviated form in so far as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Shareholders should read the Investigating Accountant's Report in full before making any investment decision.



16 June 2015

The Board of Directors
SHKL Group Limited
Room 702 Kowloon Building
555 Nathan Road
Kowloon, Hong Kong

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT - SHKL GROUP LIMITED

INTRODUCTION

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 16 June 2015 ("Prospectus") by SHKL Group Limited ("SHKL" or "the Company") in relation to the Company's proposed listing on the National Stock Exchange of Australia ("NSX") and the offer of 10,000,000 shares at an issue price of A\$2.00 by way of private placement to raise A\$20,000,000.

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of SHKL Group Limited. All amounts are expressed in Australian dollars unless otherwise stated.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. BACKGROUND INFORMATION

The Company was incorporated in and under the laws of the British Virgin Islands on 29 October 2014 and became registered under the Corporations Act 2001 on 11 December 2014. The current directors of the Company are Mr Zhang Yeping, Mr Zhou Xinghang, Mr Shen Weiguo, Mr Zhu Min, Mr Zhang Sunyan, Mr Wu Jiping and Mr Qiao Xinmin.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth WA 6000. PO Box 5124 Perth BC 6849 WA. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hbj@hlbmj.com.au. Website: www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a world-wide organisation of accounting firms and business advisers

The Company and certain of its subsidiaries have entered into material contracts which are detailed in section 5.8 of the Prospectus and below.

In November 2014, the Company entered into a Sale and Purchase Agreement ("S&P Agreement") as detailed in section 5.8 of the Prospectus under which the Company acquired 10,000 ordinary shares of HKD1 each in and representing the entire share capital of KSTV (Hong Kong) Limited ("KSTV") for a nominal consideration of US\$4,500 satisfied by the issue of 99,999,999 shares credited as being fully paid. The S&P Agreement was completed on 24 November 2014 and the parties' obligations have been fulfilled in accordance with the terms of the agreement.

On 12 September 2014, KSTV entered into an Option to Purchase Agreement ("Call Option Agreement") under which Mr Shen Weiguo and Mr Zhou Xinghang who together own 100% of Shanghai Kunlun Cultural Media Co., Limited ("SKCM") have;

- (i) granted KSTV (or persons nominated by them) a perpetual option to purchase their entire equity interests in SKCM at a nominal purchase price;
- (ii) undertaken to KSTV that they will not convey, transfer or otherwise deal with the entire equity interests in SKCM which are registered in their names to any other person unless otherwise directed by KSTV; and
- (iii) irrevocably appointed KSTV as attorney to exercise all shareholder rights attaching to the entire equity interests in SKCM in their absolute and sole discretion.

In addition, on 12 September 2014, KSTV (as pledgee) and Mr Shen Weiguo and Mr Zhou Xinghang (as pledgers) entered into a Share Pledge Agreement under which Mr Shen Weiguo and Mr Zhou Xinghang pledged their interests in the entire equity of SKCM to KSTV as security for their performance of the Call Option Agreement.

Furthermore, on 12 September 2014, KSTV and SKCM entered into an Exclusive Consulting and Service Agreement ("EC&S Agreement") under which:

- i) KSTV will provide such consultancy and services as set out in the EC&S Agreement to SKCM for service charges calculated based on the formula set out in the EC&S Agreement;
- ii) the cost of providing the consultancy and services shall be borne by SKCM; and
- iii) the total service charges shall be the sum equivalent to 100% of SKCM's net operating income.

The EC&S Agreement prevents SKCM from:

- iv) selling, or otherwise dealing with, its main assets; or
- v) creating any security interests in its assets;
- vi) increasing or decreasing its capital structure; or
- vii) signing any agreements (including joint venture agreements with third parties) which may affect KSTV's rights under the EC&S Agreement,

without KSTV's prior consent.

Shanghai Kunlun Cultural Media Co., Limited is the principal operating subsidiary of the SHKL group and is a wholly owned subsidiary within the SHKL group. SHKL and KSTV do not have active operations as individual entities in their own right. SKCM was initially formed as a cultural media company operating as a contract newspaper publisher. The business was discontinued in 2010 and SKCM is now focussed on digital publishing and education technology. SKCM's principal products and services have only recently been introduced for commercialisation.

SKCM has prepared financial statements for the period from 1 January 2014 to 31 March 2015.

The acquisitions of SKCM by KSTV and subsequently KSTV by the Company have the features of reverse acquisitions under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding SHKL being the legal parent of the group. These transactions are outside the scope of AASB 3 as neither of the accounting acquirees constitute businesses as defined by this standard. In this instance, the principles of reverse acquisition accounting are applied to determine the accounting acquirer but the transactions are accounted for as share-based payments by the accounting acquirer for the net identifiable assets of the accounting acquiree in accordance with AASB 2 "*Share-based Payment*". In these aforementioned transactions the accounting acquirer in both instances is SKCM. Consequently, the historical financial information presented in this Report is the historical financial information of SKCM as at 31 March 2015 which has been subject to audit by J. K. Tan & Co., Chartered Accountants in Malaysia and the historical financial information of both KSTV and SHKL from the date of acquisition.

The proforma financial information presented in this report is the historical financial information of SHKL and its controlled entities for the period ended 31 March 2015 under the reverse acquisition principles referred to above assuming that the proposed transactions set out in Section 3(b) of this Report had been completed as at that date.

The proforma consolidated financial information has been prepared using a balance date of 31 March 2015 corresponding to the most recently available financial information of SKCM subject to external audit.

Entities with functional currencies other than Australian dollars have been translated into Australian dollars under the principles of AASB 121 "*The Effects of Changes in Foreign Exchange Rates*".

For the purposes of this Report, the following exchange rates were applied:

<i>Rate</i>	<i>CNY/AUD</i>	<i>HKD/AUD</i>
Closing rate – 31 March 2015	0.212	0.168
Average rate – 1 Jan 2014 to 31 March 2015	0.186	0.147

As at the date of this Report, the issued share capital of the Company is 100,000,000 ordinary fully paid shares.

The following table summarises share capital movements since registration.

Date		Number issued	Issue price \$	\$
29 Oct 2014	Registration of the company	1	1	1
24 Nov 2014	Issued upon acquisition of KSTV (Hong Kong) Limited for a nominal consideration of US\$4,500.	99,999,999	\$0.00005	4,999
		100,000,000		5,000

The intended use of the funds raised by the issue of shares under the Prospectus is specified in Section 5.11 of the Prospectus.

2. SCOPE OF REPORT

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- the historical financial information of the Company comprising the historical Consolidated Statement of Financial Position as at 31 March 2015 and the historical Consolidated Statement of Comprehensive Income, historical Consolidated Statement of Cash Flows and historical Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 31 March 2015 as set out in Appendix 1 to this Report; and
- the proforma financial information of the Company comprising the proforma Consolidated Statement of Financial Position as at 31 March 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 31 March 2015.

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The historical financial information and the proforma financial information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

The historical financial information as set out in Appendix 1 insofar as it relates to SKCM has been extracted from the interim financial statements of SKCM for the period from 1 January 2014 to 31 March 2015 which have been subject to audit by J. K. Tan & Co., Chartered Accountants in Malaysia (J. K. Tan & Co.). The audit report of J. K. Tan & Co. on those financial statements contained a qualified opinion in relation to other receivables of RMB 5,021,153 included in the statement of financial position as at 31 March 2015 which stated that a specific provision for doubtful debts of RMB 3,388,235 should be made against this receivable.

Accordingly, the financial information contained in the Appendix includes an allowance for doubtful debts of RMB 3,388,235 (approximately \$718,306) as an adjustment to arrive at the historical audited adjusted financial statements.

Furthermore, the audit report on those financial statements contained an emphasis of matter in relation to going concern. The audit report stated that the shareholders of SKCM had agreed to provide financial support in order to enable SKCM to continue its operations and that, if this financial support was not forthcoming and as a result SKCM were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the fact that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position.

We performed a review of the historical and proforma financial information of the Company and its controlled entities as at 31 March 2015 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. Our review was carried out in accordance with Australian Standard on Assurance Engagement ASAE 3450 "Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information" and included such enquiries and procedures which we considered necessary for the purposes of this Report.

The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and proforma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

3. FINANCIAL INFORMATION

Set out in Appendix 1 (attached) are:

- a) the historical financial information of the Company comprising the historical Consolidated Statement of Financial Position as at 31 March 2015 and the historical

Consolidated Statement of Comprehensive Income, historical Consolidated Statement of Cash Flows and historical Consolidated Statement of Changes in Equity of the Company and its controlled entities for the period from 1 January 2014 to 31 March 2015;

- b) The proforma financial information of the Company comprising the proforma Consolidated Statement of Financial Position of the Company as at 31 March 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity of the Company and its controlled entities for the period from 1 January 2014 to 31 March 2015 as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 31 March 2015:
 - i) the issue by the Company pursuant to this Prospectus of 10,000,000 Offer Shares issued at \$2 each raising \$20,000,000 before the expenses of the offer;
 - ii) the write off against issued capital of the expenses of the issue of \$275,000;
 - iii) the settlement of pre-existing creditors of approximately \$1,314,032; and
- c) Notes to the historical financial information and proforma information.

4. SUBSEQUENT EVENTS

There have been no material items, transactions or events subsequent to 31 March 2015 not otherwise disclosed in the Prospectus which have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical consolidated financial information of SHKL Group Limited as at 31 March 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company and its controlled entities as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended; and
- b) the proforma consolidated financial information of SHKL Group Limited as at 31 March 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company and its controlled entities as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended, as if the transaction referred to in Section 3(b) of this Report had occurred during that period.

6. DECLARATION

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates.
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in SHKL Group Limited or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.
- f) We have not carried out our review in accordance with auditing or other standards and practices accepted in jurisdictions outside Australia. Accordingly, our review should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully
HLB MANN JUDD



M R W OHM
Partner

- APPENDIX 1 -

SHKL GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

		<i>Reviewed Consolidated Historical</i>	<i>Review Adjustments (1)</i>	<i>Reviewed Adjusted Consolidated Historical</i>	<i>Reviewed Consolidated Proforma \$20 million capital raising</i>
	<i>Notes</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
CURRENT ASSETS					
Cash and cash equivalents	3	1,795	-	1,795	18,412,763
Other receivables	9	1,064,485	(718,306)	346,179	346,179
TOTAL CURRENT ASSETS		1,066,280	(718,306)	347,974	18,758,942
NON-CURRENT ASSETS					
Intangible assets		155,759	-	155,759	155,759
Deferred tax asset		205,176	-	205,176	205,176
Plant and equipment		31,461	-	31,461	31,461
TOTAL NON-CURRENT ASSETS		392,396	-	392,396	392,396
TOTAL ASSETS		1,458,676	(718,306)	740,370	19,151,338
CURRENT LIABILITIES					
Trade and other payables	5	(1,314,032)	-	(1,314,032)	-
TOTAL CURRENT LIABILITIES		(1,314,032)	-	(1,314,032)	-
NON-CURRENT LIABILITIES					
Loans from shareholders		(2,456,605)	-	(2,456,605)	(2,456,605)
TOTAL NON-CURRENT LIABILITIES		(2,456,605)	-	(2,456,605)	(2,456,605)
TOTAL LIABILITIES		(3,770,637)	-	(3,770,637)	(2,456,605)
NET (LIABILITIES)/ ASSETS		(2,311,961)	(718,306)	(3,030,267)	16,694,733
EQUITY					
Issued capital	6	3,757,650	-	3,757,650	23,482,650
Accumulated losses	9	(5,756,836)	(628,857)	(6,385,693)	(6,385,693)
Reserves	9	(312,775)	(89,449)	(402,224)	(402,224)
TOTAL (DEFICIENCY)/EQUITY		(2,311,961)	(718,306)	(3,030,267)	16,694,733

The above should be read in conjunction with the accompanying notes.

(1) Refer to note 9.

SHKL GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

	<i>Reviewed Consolidated Historical</i>	<i>Review Adjustments (1)</i>	<i>Reviewed Adjusted Consolidated Historical</i>	<i>Proforma Reviewed Consolidated \$20 million capital raising</i>
	\$	\$	\$	\$
Other income	140,075	-	140,075	140,075
Gain on acquisition of KSTV and SHKL	1,678	-	1,678	1,678
Allowance for doubtful debts	-	(628,857)	(628,857)	(628,857)
Other expenses	(175,492)	-	(175,492)	(175,492)
Loss from ordinary activities before tax	(33,739)	(628,857)	(662,596)	(662,596)
Income tax expense	-	-	-	-
Loss from ordinary activities after tax	(33,739)	(628,857)	(662,596)	(662,596)
Other comprehensive income net of tax	-	-	-	-
Total comprehensive loss for the period	(33,739)	(628,857)	(662,596)	(662,596)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

REVIEWED HISTORICAL CONSOLIDATED	<i>Issued capital</i>	<i>Accumulated losses (1)</i>	<i>Reserves</i>	<i>Total Equity</i>
	\$	\$	\$	\$
As at 1 January 2014	3,757,650	(5,723,097)	-	(1,965,447)
Loss for the period (note 9)	-	(662,596)	-	(662,596)
Exchange translation differences (note 9)	-	-	(402,224)	(402,224)
As at 31 March 2015	3,757,650	(6,385,693)	(402,224)	(3,030,267)

REVIEWED PROFORMA CONSOLIDATED	<i>Issued capital</i>	<i>Accumulated losses (1)</i>	<i>Reserves</i>	<i>Total Equity</i>
	\$	\$	\$	\$
Acquisition of KSTV – note 2(m)	3,757,650	(5,723,097)	-	(1,965,447)
Issue of shares under Prospectus	20,000,000	-	-	20,000,000
Share issue expenses	(275,000)	-	-	(275,000)
Exchange translation differences	-	-	(402,224)	(402,224)
Loss for the period (note 9)	-	(662,596)	-	(662,596)
Proforma total – 31 March 2015	23,482,650	(6,385,693)	(402,224)	16,694,733

The above should be read in conjunction with the accompanying notes.

(1) Refer to note 9.

SHKL GROUP LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

		<i>Reviewed Consolidated Historical \$</i>	<i>Reviewed Consolidated Proforma \$20 million capital raising \$</i>
	<i>Notes</i>		
<i>Cash flows from operating activities</i>			
Receipts from customers		123,841	123,841
Payments to suppliers		(344,921)	(1,658,953)
<i>Net cash used in operating activities</i>		(221,080)	(1,535,112)
<i>Cash flows from investing activities</i>		-	-
<i>Net cash used in investing activities</i>		-	-
<i>Cash flows from financing activities</i>			
Proceeds from loans from shareholders		220,866	220,866
Proceeds on the issue of shares pursuant to Prospectus		-	20,000,000
Issue costs paid		-	(275,000)
Cash balance of SHKL and KSTV on reverse acquisitions		1,625	1,625
<i>Net cash provided by financing activities</i>		222,491	19,947,491
Net increase in cash and cash equivalents		1,411	18,412,379
Cash at the beginning of the financial period		322	322
Effect of exchange rate fluctuations on cash held		62	62
<i>Cash at the end of the financial period</i>	3	1,795	18,412,763

The above should be read in conjunction with the accompanying notes.

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

1. REPORTING ENTITY

SHKL Group Limited ("SHKL" or the "Company") is a company incorporated under the name KSTV Group Limited in British Virgin Islands on 29 October 2014 for the purpose of acquiring effective control of Shanghai Kunlun Cultural Media Co., Limited ("SKCM"), a Chinese business that was established in 2005. On 12 November 2014, the Company changed its name to SHKL Group Limited. The Company was registered under the Corporations Act on 11 December 2014.

SKCM, a company registered in China, was acquired by KSTV (Hong Kong) Limited ("KSTV") on 12 September 2014. KSTV was acquired by the Company as of 24 November 2014.

The acquisitions of SKCM by KSTV and subsequently KSTV by the Company have the features of reverse acquisitions under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding SHKL being the legal parent of the group. These transactions are outside the scope of AASB 3 as neither of the accounting acquirees constitute businesses as defined by this standard. In this instance, the principles of reverse acquisition accounting are applied to determine the accounting acquirer but the transactions are accounted for as share-based payments by the accounting acquirer for the net identifiable assets of the accounting acquiree in accordance with AASB 2 "*Share-based Payment*". As a result of this accounting treatment, the financial statements presented in this report comprise the following:

- (i) Statement of Financial Position:
 - Historical consolidated financial information – SHKL and its controlled entities as at 31 March 2015. In accordance with AASB 3 "*Business Combinations*", whilst SHKL is the "legal acquirer" of KSTV, SKCM is treated as the parent for accounting purposes and therefore the balances as presented in the proforma Statement of Financial Position comprise:
 - (a) the historical balances of SKCM; and
 - (b) the balances of KSTV and SHKL at fair value.
 - Proforma consolidated financial information – SHKL and its controlled entities as at 31 March 2015, after incorporating the significant events and proposed transactions by the Company as detailed in Note 2(n).
- (ii) Statement of Comprehensive Income and Statement of Cash Flows:
 - Historical consolidated financial information – SHKL and its controlled entities for the period from 1 January 2014 until 31 March 2015;
 - Proforma consolidated financial information – the historical balances of SHKL and its controlled entities for the period from 1 January 2014 until 31 March 2015, after including the proforma adjustments as detailed in Note 2(n).
- (iii) Consolidated Statements of Changes in Equity
 - Historical financial information – SHKL and its controlled entities for the period from 1 January 2014 until 31 March 2015;

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

1. REPORTING ENTITY (CONT'D)

- Proforma consolidated financial information – the historical balances of SHKL and its controlled entities for the period from 1 January 2014 until 31 March 2015, after including the proforma adjustments as detailed in Note 2(n).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below:

(a) Basis of preparation

The financial statements have been prepared in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Compliance with IFRSs

The financial information complies with the measurement and recognition requirements of Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(l).

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Trade and other receivables

Receivables are recognised on an accruals basis as the services to which they relate are performed and are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the Statement of Comprehensive Income.

(e) Impairment of assets

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the Directors, no further economic benefits are expected to arise.

(h) Issued capital

Ordinary share capital is recognised as the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) Share-based payment transactions

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted.

Where the identifiable consideration received (if any) is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Revenue recognition (cont'd)

(i) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(ii) Rendering of services

Revenue from management and agency services is recognised over the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(iii) Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(k) Income tax

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation of plant and equipment/amortisation of intangible assets

Management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual value of these assets and therefore future depreciation charges could be revised.

Carrying value of non-current assets

Non-current assets, including plant and equipment and intangible assets are carried at cost less accumulated depreciation/amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates may need to be revised, and this may have an impact on the Company's results of operations or financial position.

Impairment of receivables

The Company makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. An impairment assessment is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference may impact the carrying amount of trade and other receivables and the impairment loss in the financial year in which such estimate has changed.

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Income taxes

SKCM is subject to income taxes in the PRC and recognises liabilities for anticipated tax issues based on estimations of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the income tax and deferred income tax provisions in the year in which such determinations are made.

(m) Reverse acquisition accounting

The acquisitions of SKCM by KSTV and subsequently KSTV by the Company have the features of reverse acquisitions under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding SHKL being the legal parent of the group. These transactions are outside the scope of AASB 3 as neither of the accounting acquirees constitute businesses as defined by this standard. In this instance, the principles of reverse acquisition accounting are applied to determine the accounting acquirer but the transactions are accounted for as share-based payments by the accounting acquirer for the net identifiable assets of the accounting acquiree in accordance with AASB 2 "*Share-based Payment*".

The legal structure of the SHKL group subsequent to the acquisition of KSTV will be that SHKL will remain as the parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, KSTV) obtain control of the acquiring entity (in this case, SHKL) as a result of the businesses' combination. Prior to the acquisition of KSTV by the Company, KSTV acquired SKCM. The acquisition of SKCM was also accounted for using the principles of reverse acquisitions.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (SHKL) but are a continuation of the financial statements of the legal subsidiary (SKCM), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

(n) Proforma transactions

The proforma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 31 March 2015 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 31 March 2015:

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Proforma transactions (cont'd)

- (i) the issue by the Company pursuant to this Prospectus of 10,000,000 Offer Shares issued at \$2 each raising \$20,000,000 before the expenses of the offer;
- (ii) the write off against issued capital of the expenses of the issue of \$275,000; and
- (iii) the settlement of pre-existing creditors of approximately \$1,314,032.

3. CASH AND CASH EQUIVALENTS

	<i>Reviewed Consolidated Historical</i>	<i>Reviewed Consolidated Proforma \$20 million capital raising</i>
	\$	\$
Balance as at 31 March 2015	1,795	1,795
Proceeds from share issue	-	20,000,000
Payment of share issue costs	-	(275,000)
Settlement of pre-existing creditors	-	(1,314,032)
	<u>1,795</u>	<u>18,412,763</u>

4. ACQUISITION OF ENTITY

As disclosed in Note 1 and Note 2(m), the transaction involving SHKL acquiring all the issued capital of KSTV has been accounted for under the principles of reverse acquisitions included in AASB 3 "Business Combinations".

Following are details of the pre-combination carrying amounts of the assets and liabilities of SHKL:

	\$
Cash	<u>1</u>
Total assets	<u>1</u>
Total liabilities	<u>-</u>
Net assets	<u>1</u>
Issued capital	<u>1</u>
Accumulated losses	<u>-</u>
Equity	<u>1</u>

SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

5. TRADE AND OTHER PAYABLES

	<i>Reviewed Consolidated Historical \$</i>	<i>Reviewed Consolidated Proforma \$20 million capital raising \$</i>
Balance as at 31 March 2015	1,314,032	1,314,032
Settlement of pre-existing creditors	-	(1,314,032)
	<u>1,314,032</u>	<u>-</u>

6. ISSUED CAPITAL

Number of shares *\$*

a) Issued and paid up capital

Reviewed Historical Consolidated

Balance as at 31 March 2015 3,757,650

Reviewed Proforma Consolidated

Balance at 31 March 2015 prior to proforma adjustments	100,000,000	3,757,650
Shares to be issued pursuant to this Prospectus	10,000,000	20,000,000
Share issue costs	-	(275,000)
Proforma total - \$20 million capital raising	<u>110,000,000</u>	<u>23,482,650</u>

7. CONTINGENCIES AND COMMITMENTS

Details of planned expenditure commitments are outlined in Section 5.11 of the Prospectus.

The Directors are not aware of any contingencies other than as set out in the Prospectus.

8. RELATED PARTY TRANSACTIONS

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 5 of the Prospectus.

**SHKL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015**

9. HISTORICAL BALANCES

The historical financial information as set out in Appendix 1 has been extracted from the interim financial statements of SHKL and its controlled entities for the period from 1 January 2014 to 31 March 2015. SKCM which is a controlled entity of SHKL has been subject to audit by J. K. Tan & Co., Chartered Accountants in Malaysia (J. K. Tan & Co.). The audit report of J. K. Tan & Co. on those financial statements contained a qualified opinion in relation to other receivables of RMB 5,021,153 included in the statement of financial position as at 31 March 2015 which stated that a specific provision for doubtful debts of RMB 3,388,235 should be made against this receivable. Accordingly, the financial information contained in this Report includes an allowance for doubtful debts of RMB 3,388,235 (approximately \$718,306) as an adjustment to arrive at the historical audited adjusted financial statements.

The effect of this allowance is to increase net liabilities and the net deficiency reported as historical balances as at 31 March 2015 by \$718,306.



中国法律事务局(新加坡)
CHINA LEGAL BUREAU (SINGAPORE)

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5 June 2015

The Directors
SHKL GROUP LIMITED
Room 703 Kowloon Building
555 Nathan Road, Kowloon
HONG KONG

Dear Sirs

**LEGAL OPINION ON SHKL GROUP LIMITED'S STATEMENTS ON PRC LAW IN A PROSPECTUS
TO BE LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION**

1. China Legal Bureau (Singapore) is a foreign law practice registered by the Attorney-General's Chambers to practice China law in Singapore under Section 130E of the Legal Profession Act, and the author of this report is duly qualified to practice law in the People's Republic of China (the "PRC"), which for the purposes of this report excludes the Hong Kong and Macau Special Administrative Regions of China and Taiwan.
2. This opinion is issued in connection with and for the purpose of a prospectus (the "Prospectus") to be dated on or about 8 June 2015 by SHKL Group Limited.

Incorporation of controlled entity

3. Shanghai Kunlun Cultural Media Co., Limited ("SKCM") is a company duly registered in and under laws of the PRC and, as of the date hereof, is in good standing.
4. Based on SKCM's articles of association registered with the relevant authorities in the PRC, the paid up share capital of SKCM is registered in the names of Mr Shen Weiguo (50%) and Mr Zhou Xinghang (50%).

Ownership structure

5. Foreign investment in the PRC is subject to the Foreign Investment Industrial Guidance Catalogue (the "Catalogue") in terms of whether certain industries are

"encouraged", "restricted" or "prohibited" for foreign investment. Foreign corporations and natural persons are not allowed to invest in industries which fall within the *"prohibited"* category and are encouraged to invest in industries which fall within the *"encouraged"* category. A foreign investments in industries which fall within the *"restricted"* category is subject not only to restrictions such as the maximum shareholding that is permitted, but also to greater scrutiny and will require the approval of a higher authority. Any industry not falling within the above three categories is considered *"permitted"* and therefore open to foreign investment. The current version of Catalogue is the Foreign Investment Industrial Guidance Catalogue (2015 version) which came to force on 10 April 2015.

6. SKCM carried on business of contract publishing of newspapers (now discontinued), and SKCM digitises content published through non-exclusive digital publishing arrangements with provincial-level licensed education publishers, assessment and extra-curriculum learning, which is then integrated with SKCM proprietary hardware and sold as its intelligent learning platform. In our opinion:
 - 6.1. this activity may be interpreted as being publication and production of audio and visual products and electronic publications, an industry which specially fall within the *"prohibited"* category under the Catalogue; and
 - 6.2. if SKCM becomes a foreign-invested entity, there is a risk that SKCM may be prohibited from carrying on its current business.
7. We have reviewed the ownership structure of the Group (as defined in the Prospectus) and the following agreements:
 - (I) the Option to Purchase Agreement dated 12 September 2014 between Mr Shen Weiguo and Mr Zhou Xinghang and KSTV (Hong Kong) Limited;
 - (II) the Share Pledge Agreement dated 12 September 2014 between Mr Shen Weiguo and Mr Zhou Xinghang and KSTV (Hong Kong) Limited;
 - (III) the Exclusive Consulting and Service Agreement dated 12 September 2014 between KSTV (Hong Kong) Limited and SKCM,and, in our opinion:
 - 7.1. the ownership structure of Group in China as disclosed in the Prospectus does not violate any applicable PRC law, regulation or rule currently in effect; and
 - 7.2. the contractual arrangements between KSTV (Hong Kong) Limited and Mr Shen Weiguo, Mr Zhou Xinghang and with SKCM (as the case may be) which are governed by PRC laws are valid, binding and enforceable in accordance



with their terms and applicable PRC laws, rules, and regulations currently in effect, and does not violate any applicable PRC law, regulation or rule currently in effect.

8. Notwithstanding our opinion above, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to our opinion. If in the future the PRC government finds that any or all the above agreements do not comply with PRC government restrictions on foreign investment, the Group could be subject to severe penalties including being prohibited from continuing operations.

Permits to carry on business

9. SKCM carries on business under a business license, and its current permit has been validly issued and is in good standing.

Copyrights

10. SKCM is the registered holder of the following copyrights:

Registration	Classification	Name of software	Date of first publication	Date of registration
2009SR048865	65000-6100	KSTV real time electronic global business communication software"	10 October 2008	26 October 2009
2008SR02998	67500-0000	Kunlun video news player software"	18 October 2007	13 February 2008

" unofficial translation for reference purposes only

11. Both copyrights were granted by the Copyright Protection Centre of China. Under PRC law, SKCM is vested with the exclusive rights to utilise the technologies covered under both copyrights in its existing operations and in its future operations.

Material contract summaries

12. China Legal Bureau (Singapore) has reviewed section 5.10 of the Prospectus, and are of the opinion that the section accurately summarises the material terms of the contracts referred to therein.

Consents



13. China Legal Bureau (Singapore):

13.1. has given and has not, before the date of lodgement of this Prospectus with ASIC withdrawn their written consent:

- (a) to be named in the Prospectus in the form and context which it is named; and
- (b) to the inclusion in the Prospectus of sections 5.8 to 5.10, 5.12 (insofar as the sub-section summaries the terms and effect of the Investment Agreement) and 12 and this opinion ("Consented Statements") in the form and context in which it appears in this Prospectus;

13.2. has not caused or authorised the issue of this Prospectus;

13.3. has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than the Consented Statements; and

13.4. to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the Consented Statements and included in this Prospectus with China Legal Bureau (Singapore)'s consent.

Yours faithfully

CHINA LEGAL BUREAU (SINGAPORE)



Handwritten signature of Li Mingjun.

12 OVERVIEW OF PRC LEGAL FRAMEWORK

This section is prepared by China Legal Bureau (Singapore), and it contains a brief outline of the legal framework and key laws and regulations of China relevant to the Company. This summary is not exhaustive and persons should seek their own advice if necessary.

12.1 PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents in the PRC.

The National People's Congress of China (**NPC**) and the Standing Committee of the NPC (**Standing Committee**) are empowered by the PRC Constitution to exercise the legislative powers of the State including the power to amend the PRC Constitution and to enact and amend primary laws.

The State Council of China (**State Council**) is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee. In cases where the limits of articles of laws need to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees.

At the regional level, the People's Congresses of Provinces and Municipalities and their standing committees may enact local rules and regulations and the local People's Government may promulgate administrative rules and directives applicable to their own administrative area. However, these local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

12.2 Judicial System

The People's Courts are the judicial organs of the PRC. The People's Courts comprise the Supreme People's Court, the local level of the People's Courts, military courts and other special People's Courts. The local People's Courts are divided into three levels, namely, the basic People's Courts, intermediate People's Courts and higher People's Courts. The basic People's Courts are divided into civil, criminal and administrative divisions. The intermediate People's Courts have divisions similar to those of the basic People's Courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The higher People's Courts deal with significant impact cases, in civil, criminal and administrative divisions. The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The

Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Courts adopt a two-tier final appeal system. A party may before the taking effect of a judgement or order appeal against the judgement or order of the first instance of a local People's Court to the People's Court at the next higher level. Judgements or orders of the second instance of the same level and at the next higher level are final and binding.

A foreign individual or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. But if the courts of a foreign country impose restrictions on the civil litigation rights of the citizens, legal persons and other organisations of the PRC, the People's Courts of the PRC shall follow the principle of reciprocity regarding the civil litigation rights of the citizens, enterprises and organisations of that foreign country. If any party to a civil action refuses to comply with a judgement or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's Court to enforce the judgement, order or award.

A party seeking to enforce a judgement or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or order.

China has not concluded or acceded to any international convention on recognition and enforcement of foreign courts judgements. Nonetheless, enforcement of judgements of a foreign court is possible in principle but may be challenging. To enforce a judgement of a foreign court in China, it is necessary to demonstrate either that: (i) there is a bilateral enforcement treaty between China and the country where the judgment originates; or (ii) reciprocity between China and that country (i.e. that the foreign jurisdiction from which the judgment originates enforces Chinese judgments). Australia does not have such a reciprocal arrangement with China. While there is currently no system of binding precedent in China and judgments do not have persuasive effect, it is noteworthy that in 2007, an application to enforce an Australian court judgement in China was refused by the People's Supreme Court.

If either the above conditions is satisfied, then, when considering an application to enforce a foreign judgement (such as a judgement by an Australian court), the Chinese court will examine the judgement in substance in accordance with the PRC Law of Civil Procedure. In a case where the judgement violates basic principles of the laws of the PRC or it conflicts with the state sovereignty, security or social public interests, the foreign judgement will not be recognized or enforced. One practical issue which the Chinese court will examine is whether the Chinese party had been duly served with the summons of the foreign proceedings in China.

12.3 Arbitration and Enforcement of Arbitral Awards

Under the Arbitration Law of the PRC, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

The PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain specific circumstances. Under the terms of the PRC's accession to the New York Convention, the PRC would only recognise and enforce foreign arbitral awards if the foreign arbitral award is made:

- (a) by an arbitration committee from a state which recognises arbitral awards from the PRC; and
- (b) in relation to disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

12.4 Foreign Exchange Control and payments by a PRC entity to a foreign entity

The Regulations on Administration of Foreign Exchange of the PRC of January 1996 and the subsequent amendments in 1997 and in 2008 by the State Council of China set out the regulatory framework on foreign exchange of the PRC (**Foreign Exchange Regulations**). In accordance with the Foreign Exchange Regulations, the Chinese Yuan (or the *Renminbi*) can be freely exchanged for settling current accounts transactions, including trading and service related foreign exchange transactions and dividend distributions. This means that SKCM can, subject to the conditions and procedures set out in Section 12.5 below, freely exchange funds denominated in RMB to foreign currency to pay KSTV the service fees payable under the VIE Contracts. On the other hand, foreign exchange for purposes of direct investments, loans or securities investments outside the PRC is restricted and requires the prior approval of the State Administration of Foreign Exchange. This means that in the future, should the Group proposes to make investments outside the PRC, or to make intra-Group loan to KSTV or to the Company, using SKCM's RMB denominated funds, exchanging foreign currency for any such purpose will be restricted and require prior approval of the State Administration of Foreign Exchange.

12.5 Payment of dividends and service fees

The Company relies on service fees from SKCM to generate income and pay any debt that the Group may incur. These service fees are payable to KSTV, the Company's wholly owned subsidiary in Hong Kong, who in turn pays such funds

received from SKCM to the Company by way of dividend payments and/or inter-company loans. The amounts of service fees payable by SKCM are dependent on net profits (before service fees) generated by SKCM. If in the future, SKCM fails or is unable to generate net profits before payment of the service fees, such events could materially and adversely limit the Group's ability to grow, make investments or acquisitions that could be beneficial to its business, pay dividends, or otherwise fund and conduct its business. Furthermore, the relevant tax authorities will assess whether the service fee is legitimate and not over-priced.

The service fees are subject to a 10% withholding tax if KSTV is deemed by the relevant tax authorities as not having a permanent establishment in China. If KSTV is deemed to have a permanent establishment in China, the services fees shall be subject to enterprise income tax at the prevailing rate, currently 25%.

Prior to the implementation of the Announcement on Issues Concerning Tax Filings for Outbound Payments under Services Trade (Announcement [2013] No. 40) issued by the State Administration of Foreign Exchange in conjunction with the State Administration of Taxation in July 2013, any remittance abroad of more than US\$30,000 (or its equivalent) will require the remitting party to provide the remitting bank a tax clearance certificate issued by the relevant tax authorities to prove that the correct amount of taxes had been paid before the funds can be remitted abroad. Since July 2013, individuals and institutions in China making outbound payments of more than US\$50,000 (or its equivalent) are required to file a record of such payment with the relevant tax authorities.

Under this record filing system, instead of having to apply for a tax payment certificate before SKCM can make a payment of service fees overseas to KSTV, SKCM will only need to fill out a filing form and provide valid contracts or other relevant transaction documents to the relevant tax authorities. If the relevant tax authorities are satisfied that the proposed remittance is for a legitimate purpose, they will affix a seal to the filing form, and SKCM will be able to remit funds abroad by submitting to its bank the aforesaid filing form and relevant transaction documents.

12.6 Taxation

The applicable income tax laws, regulations, notices and decisions related to foreign invested enterprises (**FIE**) and their investors within the PRC (collectively the **Applicable Foreign Enterprises Tax Law**) include the following:

(a) Income tax on FIEs and domestically invested enterprises (**DIEs**)

The PRC enterprise income tax is calculated based on the taxable income determined under the PRC accounting standards and regulations.

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law (**EIT Law**), which became effective on January 1, 2008. The new tax law imposes a unified income tax rate of 25% on all DIEs and FIEs unless they qualify under certain limited exceptions. The new tax law permits companies to continue to enjoy their preferential tax treatment

under the prior tax regime until such treatment expires in accordance with its terms, on the condition that such preferential tax treatment is available under the “grandfather clause” of the new tax law. Therefore, SKCM, being a DIE and not having received any preferential tax treatment, is subject to enterprise income tax at a rate of 25% under EIT Law.

The EIT Law provides that a withholding tax of 10% is normally applicable to dividends payable to a “non-resident enterprise” to the extent such dividends are derived from sources within the PRC, or a lower tax rate on the condition that the PRC has a tax treaty with the judicial district which the “non-resident enterprise” is subject to. See section 6.1(q) for risks associated with withholding tax.

(b) PRC Enterprise Income Tax Law

Under the EIT Law and its implementing rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will be subject to enterprise income tax at the rate of 25% on worldwide income. The implementing rules define the term “de facto management bodies” as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties etc. of an enterprise”, which has been further defined under the *Notice Regarding the Determination of Chinese Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* dated 22 April 2009 issued by the State Administration of Taxation (Circular 82). This means that:

- (i) SKCM, being a DIE and not having received any preferential tax treatment, is subject to enterprise income tax at a rate of 25% of its worldwide income; and
- (ii) if KSTV, notwithstanding it being a foreign entity, is deemed by the relevant tax authorities have a “de facto management body” within the PRC, (i.e., that KSTV is a PRC “resident enterprise”), KSTV will be subject to enterprise income tax at a rate of 25% of its worldwide income, otherwise, KSTV’s PRC-sourced income will either be subject to a withholding tax at a rate of 10% (if it is determined that KSTV does not have a permanent establishment in the PRC) or be subject to enterprise income tax at a rate of 25% (if it is determined that KSTV has a permanent establishment in the PRC).

The PRC Individual Income Tax Law, or the PRC Individual Tax Law, imposes tax at the rate of 20% on dividends and gains realised by overseas individuals who are not domiciled or tax resident in the PRC, to the extent that such dividends or gains are sourced within the PRC. Pursuant to the Individual Tax Law, although the matter is unclear, if the Company (or parts of it), were considered a PRC resident enterprise, dividends or gains realised by the Group’s non-PRC individual shareholders may be treated as

income derived from sources within the PRC and may be subject to PRC tax (which in the case of dividends may be require to be withheld) at a rate of 20%.

(c) Tax treaty benefits on dividends received from PRC

Under the EIT Law, dividends paid by a PRC foreign invested enterprise to its immediate parent company outside the PRC are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding arrangement. Pursuant to a special tax arrangement between Hong Kong and the PRC, such rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise. In October 2009, the State Administration of Taxation issued the Circular on How to Interpret and Recognize the "Beneficial Owner" in Tax Agreements (Circular 601), and certain other related rules. Accordingly, non-resident enterprises that cannot provide valid supporting documents as "beneficiary owners" may not be approved to enjoy tax treaty benefits and "beneficial owners" refer to individuals, enterprises or other organisations which are normally engaged in substantive operations. These rules also expressly exclude a "Conduit company", or a company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a "beneficial owner". See section 6.1(q) and 6.1(r) for disclosure on the risks relating to the tax treatment of the Group.

(d) Value Added Tax

The current Provisional Regulations of the People's Republic of China Concerning Value Added Tax, promulgated on 13 December 1993 and amended on 5 November 2008, provide that value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

(e) Business Tax

The current Provisional Regulations of the People's Republic of China on Business Tax, promulgated on 13 December 1993 and amended on 5 November 2008, provide that any business that provides services, or assigns intangible assets or sells immovable property is liable to pay a business tax

at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

12.7 Labour

The Employment Contract Law of PRC, effective as of 1 January 2008, provides that an employer shall sign the employment contract with any employee upon, or, in no event beyond one month from the commencement of service by the employee for such employer. There are three types, namely:

- (a) an employment contract with fixed term, under which employment terminates on the fixed date agreed;
- (b) an employment contract with indefinite term, under which the date of termination of employment is not explicitly provided and thus remains indefinite; and
- (c) an employment contract termination subject to consummation of certain work, under which employment terminated upon consummation of certain work.

An employment contract with indefinite term shall be duly established where:

- (a) an employer has signed the employment contract with fixed term twice consecutive; or
- (b) an employer fails to sign any written employment contract with any employee after one year from commencement of service by such employee for such employer.

An employer, who fails to sign any written employment contract with any employee beyond one month after commencement of service by such employee and remains so until expiration of one year, shall pay double salary to such employee.

12.8 Copyright

The Company protects aspects of the intellectual property through two registered copyrights, the details of which are set out in section 5.6.

Computer software may enjoy copyright protection in accordance with the Regulation on Computers Software Protection (consolidated as 2013, promulgated by Order No. 339 of the State Council of the People's Republic of China on 20 December 2001) (**Regulations**) formulated in accordance with the Copyright Law of the People's Republic of China (**Copyright Law**).

For the purposes of the Regulation, computer software refers to computer programs (such as a coded instruction sequence which may be executed by computers) and relevant documents (such as program design instructions, flowcharts and user's manuals).

However, the software copyright protection does not extend to the ideas, processing, operating methods, mathematical concepts or the like used in the software development process.

Once a software copyright is registered, a registration certificate will be issued by the copyright administrative department of the State Council as a preliminary proof of the registered item. The software copyright commences from the date of completion of the software development and is valid for 50 years ending on 31 December of the 50th year after the software's first publication. However, if the software has not been published after 50 years of the completion of its development, the copyright protection will cease.

A registered software copyright owner is entitled to the following rights:

- (a) the right to publish the software and to prevent others from doing so;
- (b) the right to identify the developer and name the developer in the software;
- (c) the right to supplement or abridge the software, or to change the sequence of instructions or statements;
- (d) the right to produce one or more copies of the software;
- (e) the right to sell or donate the original or a reproduction of the software to the public;
- (f) the right to authorise others to use the original copy temporarily for a fee, except where the software itself is not the essential object of the rental;
- (g) the right to make the software available to the public by wire or wireless means;
- (h) the right to translate the software into other languages; and
- (i) such other rights that the developer should enjoy.

Exploitation, exclusive exploitation or transfer of a software copyright by a person other than the copyright owner must have the consent of the copyright owner under a written contract and is limited to the permitted usages expressly stated under such contract.

The following actions without the consent of the copyright owner may result in civil or criminal liabilities:

- (a) Reproducing or partly reproducing a copyright owner's software;
- (b) Distributing, leasing or disseminating a copyright owner's software to the public via information network;
- (c) Intentionally evading or disrupting the technological measures adopted by the copyright owner for protection of his or her software copyright;
- (d) Intentionally deleting or modifying the electronic information regarding the software rights management; or
- (e) Assigning or authorising others to exercise the software copyright of a copyright owner.

Infringement actions described in (a) or (b) may result in a fine of RMB 100 per item or a fine of more than 100 percent but less than 500 percent of the value of the product whereas infringement actions described in (c), (d) or (e) may result in a fine of no more than RMB 200,000.

13 KEY DIFFERENCES BETWEEN BVI AND AUSTRALIAN LAW

This section has been prepared by Kings Park Corporate Lawyers, and in so far as it relates to BVI law has been reviewed by Conyers Dill & Pearman Pte. Ltd. This summary is not exhaustive and persons should seek their own advice if necessary.

13.1 Introduction

The Company is incorporated in BVI. Material differences between the rights of shares and holders of shares in an Australian company and the rights of shares and holders of shares in a BVI company result from the differences in their governing documents and governing laws.

The general company law structure of BVI and Australia is reasonably similar, being based on legislation originating in England and thus with a common law background of directors' duties. As with Australian company law, many corporate procedures require approval by resolution of shareholders or directors under BVI law including a change of company name, alteration of the memorandum or articles of association, mergers or consolidations, and voluntary liquidations. However, there are also significant differences, including that BVI law does not include takeover laws which ensure all shareholders are treated equally in the event of a change of control of the Company.

This summary is a general description of some of the principal differences between the laws and regulations concerning shares in a company incorporated in BVI as opposed to Australia. It is provided as a general guide only and does not purport to be a comprehensive analysis of all the consequences resulting from acquiring, holding or disposing of such shares or interests in such shares. The laws, regulations, policies and procedures described are subject to change from time to time and Applicants should seek their own independent legal advice if they have any doubt as to their own legal position.

13.2 Shareholder meetings

Australian law

Any director may convene a general meeting at such times and in such place as the director considers necessary or desirable. Each shareholder is entitled to receive not less than twenty eight days' notice of every general meeting and to receive all notices, accounts and other documents required to be sent to members. An Annual General Meeting must be held once per year and within five months of the end of the financial year. There is no requirement to hold the Annual General Meeting in Australia.

Shareholders entitled to exercise 5% or more of the voting rights can requisition a general meeting.

BVI law

Subject to the memorandum and articles of the company, any director or persons authorized by the memorandum or articles may convene a meeting of the members of the company at such times and in such place within or outside the BVI as the convener of the meeting considers appropriate. In addition, subject to a provision in the memorandum or articles for a lesser percentage, the directors must call a meeting of the members of the company if requested to do so by members entitled to exercise at least thirty per cent of the voting rights in respect of the matter for which the meeting is requested. The court also has certain powers to call a meeting of the members, including if it is of the opinion that it is in the interests of the members that a meeting of members is held.

Under the BC Act, subject to a requirement in the memorandum or articles to give longer notice, a person convening a meeting of the members of the company must give not less than seven days' notice to those persons whose names, on the date the notice is given, appear as members in the register of members and are entitled to vote at the meeting.

A resolution of the members is passed if approved by a majority of in excess of fifty percent or, if a higher majority is required by the memorandum or articles, that higher majority of the votes of those members entitled to vote and voting on the resolution.

A member may be represented at a meeting of members by a proxy who may speak and vote on behalf of the member appointing him.

Subject to the memorandum or articles, a member is deemed to be present at a meeting of members if he or she participates by telephone or other electronic means and all members participating in the meeting are able to hear each other.

There is no BVI law statutory requirement to hold annual general meetings. The Company's Articles of Association provides that, subject to the Listing Rules, the Company will hold an annual general meeting once every calendar year and no later than 15 months from the previous annual general meeting.

13.3 Voting Rights

Australian law

Each member is entitled to one vote on a show of hands and on a poll each shareholder has one vote for every fully paid share. Quorum for a shareholders meeting is usually 3 persons.

If the Corporations Act or the Listing Rules require some members are not to vote on a resolution or that votes cast by some members may be disregarded in order for the resolution to have the intended effect, and the notice of meeting at which the resolution was proposed states that fact, the company must not count any votes cast by those members.

BVI law

Under the BC Act, subject to the company's right to issue different classes of shares and shares with different rights attached, a share confers upon the holder

the right to one vote at a meeting of the members of the company or on any resolution of the members.

Under the BC Act, the quorum for a meeting of the members of a company for the purposes of a resolution of members is that fixed by the memorandum or articles but, where no quorum is fixed, the meeting is properly constituted for all purposes if at the commencement of the meeting there are present in person or by proxy, members entitled to exercise at least fifty percent of the votes.

13.4 Share capital and issue of shares

Australian law

The constitution of a typical Australian public company authorises the board to issue shares, options and other securities with preferred, deferred or other special rights or such restrictions, whether with regards to dividends, voting, return of capital and other matters as the directors may decide.

The constitution does not generally impose any maximum limit on the number of shares.

A company, as part of its legal personality, has the power to issue and cancel shares in the company. In addition, a company may also issue bonus shares, preference shares and partly paid shares.

A company has the power to determine the terms and rights and restrictions attaching to the shares it issues.

BVI law

Under BVI law, the unissued shares and the treasury shares of a company are at the disposal of the directors. Subject to the BC Act and the memorandum and articles, shares may be issued, and options granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.

Subject to its memorandum and articles, a company may issue bonus shares, partly paid shares and nil paid shares. Shares may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services, but the consideration for a share with par value must not be less than the par value of the share.

Shares in a company may be redeemable, confer no rights (or preferential rights) to distributions, confer special, limited or conditional rights (including voting rights), confer no voting rights, participate only in certain assets of the company and, where issued in or converted to one class or series, be convertible to another class or series in the manner specified in the memorandum and articles of association.

Where authorized by its memorandum, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares,

must be included in the company's memorandum of association. Subject to its memorandum and articles of association, the company may issue a class of shares in one or more series.

Subject to its memorandum and articles, a company may issue shares with or without a par value and in any currency. The BC Act also permits a company to issue fractional shares. A company may not issue bearer shares unless expressly authorized to do so by its memorandum.

13.5 Transfer of Shares

Australian law

Shares are generally freely tradable. The directors may refuse to register a transfer of shares only if that refusal would not contravene the Listing Rules or the ASX Settlement Operating Rules. The directors must refuse to register a transfer of shares if:

- (a) The Corporations Act, Listing Rules or ASX Settlement Operating Rules forbid the registration;
- (b) Subject to section 259C of the Corporations Act, registration of the transfer would result in a transfer to a controlled entity; or
- (c) The securities the subject of the transfer notice are classified as restricted securities under the Listing Rules.

BVI law

Subject to any limitations or restrictions on the transfer of shares in the memorandum or articles, a share in a company is transferable.

Registered shares are transferred by a written instrument of transfer signed by the transferor (and, if registration as a holder of the shares imposes a liability to the company on the transferee, the transferee) and containing the name and address of the transferee.

The transfer of a registered share is effective when the name of the transferee is entered on the register of members.

13.6 Variation of rights attaching to shares

Australian law

If a company has a constitution that sets out the procedure for varying the rights attaching to shares, those rights may be varied only in accordance with the procedure.

If a company does not have a constitution, or has a constitution that does not set out the procedure for varying the rights attaching to shares, those rights may only be varied by special resolution of the company and by special resolution passed at a meeting with the written consent of members with at least 75% of the votes in that class.

BVI law

The BC Act does not contain provisions for the variation of rights attached to the shares of a company. Generally the memorandum or articles of association of a BVI company will specify that the variation of rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) would require consent of the shareholders of such class or series of shares.

13.7 Share buy-backs and capital reductions

Australian law

Under Australian law, a company may reduce its share capital if the reduction is fair and reasonable to the Company's shareholders as a whole, does not materially prejudice the company's ability to pay its creditors and is approved by shareholders in accordance with the Corporations Act and relevant filings are made and the statutory time period is adhered to. If the reduction is an equal reduction, it must be approved by an ordinary resolution passed at a general meeting of the company. If the reduction is a selective reduction, it must be approved by either:

- (a) a special resolution passed at a general meeting of the company with no votes cast by those who are to receive consideration as part of the reduction; or
- (b) a resolution agreed to at a general meeting by all ordinary shareholders.

In addition, if the reduction involves the cancellation of shares, it must also be approved by a special resolution passed at a general meeting of the shareholders whose shares are to be cancelled.

A Company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedure laid down in the Corporations Act.

The Corporations Act provides that:

- (a) shareholder approval by ordinary resolution will be required if the buy-back will exceed more than 10% of the company's issued capital within a 12 month period; and
- (b) shareholder approval will be required by special resolution if the buy-back will not qualify as an equal access buy-back (a buy-back will qualify as an equal access buy-back if it, among other things, relates only to ordinary shares and the offer is made equally to all holders of ordinary shares, otherwise the buy-back will be a selective buy-back).

BVI law

If a company satisfies the solvency test described below, and subject to the company's memorandum and articles of association, a company may purchase, redeem or otherwise acquire its own shares. The solvency test the company must satisfy to be able acquire its own shares is:

- (a) will the value of the company's assets exceed its liabilities; and
 - (b) will the company be able to pay its debts as they fall due,
- immediately following the purchase, redemption or acquisition of its shares.

Certain purchases, redemptions or other acquisitions are not required to satisfy this solvency test, including if the company redeems the share or shares pursuant to a right of a shareholder to have his shares redeemed or to have his shares exchanged for money or other property of the company or the shares are compulsorily redeemed in accordance with certain procedures set out in the BC Act.

The BC Act sets out three procedures by which a company may purchase, redeem or otherwise acquire its own shares. Other procedures for the purchase, redemption or acquisition by a company of its own shares may be set out in the company's memorandum or articles of association.

Where a company purchases, redeems or acquires its own shares otherwise than in accordance with the provisions set out in the BC Act, it may not purchase, redeem or otherwise acquire the shares without the consent of the member whose shares are to be purchased, redeemed or acquired, unless the company is specifically permitted by its memorandum or articles of association to do this without consent.

Unless the shares are held as treasury shares in accordance with the BC Act, any shares acquired by a company are deemed to be cancelled immediately on purchase, redemption or other acquisition by the company. Shares may be held as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares, (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired be held as treasury shares and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held as treasury shares, does not exceed fifty percent of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share.

13.8 Disclosure of substantial shareholdings

Australian law

Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a company listed on NSX or has a substantial holding in a company listed on NSX and there is a movement of at least 1% in their holding, must give a notice to the company and NSX. A person has a substantial holding if the total votes attached to voting shares in which that person and the person's associates have a relevant interest is 5% or more of the total number of votes attached to voting shares in the company; or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.

BVI law

Under BVI Law, there is no obligation to inform a BVI company of any beneficial or other interest in that company's shares, nor any obligation to inform any third party of any interest (legal or beneficial) held in a BVI company.

A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member, and to make copies of or take extracts from the documents and records. Subject to the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document (other than the company's memorandum and articles of association), or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. If inspection is denied or restricted, the shareholder concerned may apply to the court for an order to allow inspection and the court may make such order as it considers just.

13.9 Takeovers

Australian law

The Corporations Act places restrictions on a person acquiring relevant interests in the voting shares of an Australian unlisted public company which has more than 50 members, or an Australian listed company, where, as a result of the acquisition, that person's or someone else's voting power in the company (together with the voting power of their associates) increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Certain exceptions apply, such as acquisitions of relevant interests in voting shares made under takeover bids or made with shareholder approval, or creeping acquisitions of not more than 3% in a 6 month period.

The Corporations Act permits compulsory acquisition of the shares for which acceptances have not been received, where a bidder holds not less than a 90% relevant interest in the relevant securities.

Takeover bids must treat all shareholders alike and must not involve any collateral benefits.

BVI law

Acquisitions of shares in a BVI company are not regulated under the BVI Business Companies Act and there are no statutory restrictions under BVI company law on a person acquiring interests in the voting shares in a listed BVI company, regardless of the voting power those shares confer on the holder.

Subject to the memorandum or articles, members holding ninety 90 percent of the votes of the outstanding shares entitled to vote (and members holding ninety percent of the votes of the outstanding shares of each class of shares entitled to

vote as a class) may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company must redeem the shares whether or not the shares are by their terms redeemable. The company must give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A takeover offer of the Company may also be structured as a scheme of arrangement, plan of arrangement, merger or consolidation which would be binding on all Company shareholders provided the requisite majority approval provided for under BVI law in relation to each is achieved.

13.10 Mergers, Consolidation, Plans of Arrangement and Schemes of Arrangement

Australian law

The Corporations Act contains no equivalent to the expressly defined concept of a merger or consolidation as set out in the BVI Business Companies Act, but its provisions allow for implementation of mergers, reconstructions, amalgamations, arrangements and compromises.

BVI law

Under the laws of the British Virgin Islands, two or more companies may merge or consolidate in accordance with Section 170 of the BC Act. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorised by a resolution of shareholders.

While a director may vote on the plan even if he has a financial interest in the plan, in order for the resolution to be valid, the material facts of the interest and the director's relationship to any party to the transaction must be disclosed and the resolution approved (i) without counting the vote or consent of any interested director, or (ii) by the unanimous vote or consent of all disinterested directors if the votes or consents of all disinterested directors is insufficient to approve a resolution of directors.

Shareholders not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum or articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation. However, subject to the memorandum and articles of association, there are no super majority or majority of minority approvals required.

The shareholders of the constituent companies may receive shares, debt obligations or other securities of the surviving or consolidated company, or other

assets, or a combination thereof. Further, not all the shares of a class or series must receive the same kind of consideration.

After the plan of merger or consolidation has been approved by the directors and authorised by a resolution of the shareholders, articles of merger or consolidation are executed by each company and filed with the Registrar of Corporate Affairs in the British Virgin Islands (the **Registrar**).

If the Registrar is satisfied that the requirements of the BC Act in respect of merger or consolidation have been complied with, he shall register the articles of merger or consolidation, any amendment to the memorandum or articles of association of the surviving company (in the case of a merger) or the memorandum and articles of the consolidated company (in the case of a consolidation) and issue a certificate of merger or consolidation.

The BC Act also contains provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the BVI High Court for approval of the proposed arrangement. Upon approval by the court, the directors of the company, if they are still desirous of executing the plan, shall confirm the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the order of court requires notice to be given and submit the plan of arrangement to those persons for such approval, if any, as the court order requires. After the plan of arrangement has been so approved, articles of arrangement shall be executed by the company. The articles of arrangement shall be filed with the Registrar who must register them. Upon registration of the articles of arrangement, the Registrar shall issue a certificate in the approved form certifying that the articles of arrangement have been registered. An arrangement is effective on the date the articles of arrangement are registered by the Registrar or on such date subsequent thereto, not exceeding 30 days, as is stated in the articles of arrangement.

Where a compromise or arrangement is proposed between a company and its creditors or members, or any class of them, the court may, on the application of (inter alia) the company, a creditor or a member, order a meeting of the creditors or members, or such class, to be summoned in such manner as the court may direct. If a majority number representing seventy-five percent in value of the creditors or members, or class, present and voting either in person or by proxy at the meeting agree to any compromise or arrangement, the compromise or arrangement, if sanctioned by the court, is binding on all the creditors or members, or class, and also on the company. The court order becomes effective when filed with the Registrar.

A shareholder may dissent from a mandatory redemption of his shares, an arrangement (if permitted by the court), a merger (unless the shareholder was a shareholder of the surviving company prior to the merger and continues to hold the same or similar shares after the merger) and a consolidation. A shareholder properly exercising his dissent rights is entitled to payment in cash of the fair value of his shares.

A shareholder dissenting from a merger or consolidation must object in writing to the merger or consolidation before the vote by the shareholders on the merger or consolidation, unless notice of the meeting was not given to the shareholder. If the merger or consolidation is approved by the shareholders, the company must within 20 days give notice of this fact to each shareholder who gave written objection, and to each shareholder who did not receive notice of the meeting. Such shareholders then have 20 days to give to the company their written election in the form specified by the Act to dissent from the merger or consolidation, provided that in the case of a merger, the 20 days starts when the plan of merger is delivered to the shareholder.

Upon giving notice of his election to dissent, a shareholder ceases to have any rights of a shareholder except the right to be paid the fair value of his shares. As such, the merger or consolidation may proceed in the ordinary course notwithstanding the dissent.

Within seven days of the later of the delivery of the notice of election to dissent and the effective date of the merger or consolidation, the company must make a written offer to each dissenting shareholder to purchase his shares at a specified price that the company determines to be their fair value. The company and the shareholder then have 30 days to agree upon the price. If the company and a shareholder fail to agree on the price within the 30 days, then the company and the shareholder shall each designate an appraiser and these two appraisers shall designate a third appraiser. These three appraisers shall fix the fair value of the shares as of the close of business on the day before the shareholders approved the transaction without taking into account any change in value as a result of the transaction.

13.11 Amendment to Constitution

Australian law

Changes to the Constitution of an Australian company may only be made by special resolution of the shareholders.

BVI law

A BVI company may amend its memorandum or articles by a resolution of its members or (if authorised by its memorandum) a resolution of directors, save that no amendment may be made by a resolution of directors:

- (a) to restrict the rights or powers of the members to amend the memorandum or articles;
- (b) to change the percentage of members required to pass a resolution to amend the memorandum or articles; or
- (c) in circumstances where the memorandum or articles cannot be amended by the members.

13.12 Related party transactions

Australian law

Related party transactions (that is, including transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for disinterested shareholder approval, unless the transaction is on “arm’s length terms”, represents no more than reasonable remuneration, or complies with other limited exemptions.

Issues of shares or other equity securities to Directors, and all other transactions with Directors will also be regulated under the Listing Rules to exactly the same extent as a listed Australian company.

BVI law

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

A director of a company is not required to disclose an interest if:

- (a) the transaction or proposed transaction is between the director and the company; and
- (b) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company’s business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. However, a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

13.13 Winding Up

Australian law

Voluntary winding up requires the Company to pass a special resolution that it be wound up voluntarily. Subject to the provisions of the Corporations Act regarding preferential payments, upon winding up the property of the company must be applied in satisfaction of its external liabilities and, unless the company’s constitution otherwise provides, any surplus must be distributed among the members according to their rights and interests in the Company.

For winding-up in insolvency or by the Court, a distribution of the surplus assets can only be made by order of the Court.

BVI law

The court has authority under the BVI Insolvency Act to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BC Act if it has no liabilities or is able to pay its debts as they fall due. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (a) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and
- (b) approve a liquidation plan specifying:
 - (i) the reasons for the liquidation of the company;
 - (ii) their estimate of the time required to liquidate the company;
 - (iii) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
 - (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
 - (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BC Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (a) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (b) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of \$10,000.

Subject to the provisions of the BC Act, a voluntary liquidator may be appointed in respect of a company:

- (a) by a resolution of the directors in certain specified circumstances or if a resolution of members has approved the liquidation plan; or
- (b) by a resolution of the members.

13.14 Director's liability

Australian law

Under the Corporations Act, a company or a related body corporate must not exempt a person from a liability to the company incurred as an officer of the company.

A company or a related body corporate cannot indemnify a director from any of the following liabilities incurred as an officer of the company:

- (a) a liability owed to the company;
- (b) a liability or pecuniary penalty or a compensation order incurred under the Corporations Act; or
- (c) a liability that is owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith. This prohibition does not apply to legal costs (but the Corporations Act also restricts a company from indemnifying directors against certain types of legal costs).

BVI law

British Virgin Islands law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

13.15 Protection of minority shareholders

Australian law

Under Australian law, a shareholder of an Australian company may apply to the court under the Corporations Act to bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder.

BVI law

The BC Act contains various mechanisms to protect minority shareholders, including:

- (a) **Restraining or Compliance Orders:** if a company or a director of a company engages in, or proposes to engage in, conduct that contravenes the BC Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or director to comply with, or restraining the

company or director from engaging in conduct that contravenes, the BC Act or the company's memorandum and articles of association;

- (b) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
 - (i) bring proceedings in the name and on behalf of that company; or
 - (ii) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (c) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
 - (i) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
 - (ii) requiring the company or any other person to pay compensation to the member;
 - (iii) regulating the future conduct of the company's affairs;
 - (iv) amending the memorandum or articles of association of the company;
 - (v) appointing a receiver of the company;
 - (vi) appointing a liquidator of the company under the BVI Insolvency Act;
 - (vii) directing the rectification of the records of the company; and
 - (viii) setting aside any decision made or action taken by the company or its directors in breach of the BC Act or the company's memorandum and articles of association.
- (d) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
 - (i) as to the control and conduct of the proceedings;
 - (ii) as to the costs of the proceedings; and
 - (iii) directing the distribution of any amount order to be paid by a defendant in the proceedings among the members represented.

The BC Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (a) a merger;
- (b) a consolidation;
- (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
 - (i) a disposition pursuant to an order of the court having jurisdiction in the matter;
 - (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition; or
 - (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (d) a compulsory redemption of ten percent or less of the issued shares of the company which is required by the holders of ninety percent or more of the shares of the company pursuant to the terms of the BC Act; and
- (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

14 AUSTRALIAN TAXATION IMPLICATIONS FOR INVESTORS IN THE COMPANY (BY WAY OF CDIS AND SHARES)

The following is a general summary of the main Australian income tax implications of an investment in the CDIs of the Company on the NSX.

The information in this summary is of a general nature only and cannot and does not address all of the tax issues which may be relevant to an investor. It is not legal, financial or tax advice. Australian taxation laws are complex and may change over time.

This general summary is based on the Australian taxation laws in force and the administrative practices of the Australian Taxation Office generally accepted as at the date of this Prospectus. Taxation laws may change in the future without notice. The government is currently undertaking a broad review of the Australian tax system.

Furthermore, this summary is based on the operational structure of the Company as proposed. If this changes, this may have a material impact on the general taxation information provided.

Important: Investors must seek their own professional taxation advice regarding Australian (and any other jurisdiction) tax matters applicable to their own facts and circumstances and the future impact of how future reforms / changes will impact them.

14.1 Assumptions

This summary has been prepared on the basis of the following assumptions:

- (a) The investor:
 - (i) does not carry on a business of either trading or dealing in CDIs or Shares or otherwise hold investments on revenue account (or as a one-off profit making enterprise) - any subsequent disposal of the CDIs will therefore be subject to the capital gains tax regime; and
 - (ii) reports income (including dividend distributions from holding CDIs in the Company) on a cash basis (and does not report income using an accruals basis).
- (b) All transactions are at market value.
- (c) The Company is not considered a PRC resident enterprise.

14.2 Australian taxation implications for the Company

The Company was not incorporated in Australia (being incorporated in the BVI) and is not carrying on business in Australia. Consequently, the Company is not a resident for Australian tax purposes in respect of Australian domestic tax legislation. Neither the Tax Information Exchange Agreement nor the Additional Benefits Agreement entered into by Australia and the BVI alters the Australian tax

legislation in this respect. It is noted that Australia does not have an Income Tax Treaty with the BVI.

Furthermore, apart from the listing of the CDIs on the NSX, the Company will not have a business presence in Australia nor derive income from an Australian source.

The Company will need to consider its Australian taxation obligations and liabilities to the extent it:

- (a) commences to have a presence in Australia through a permanent establishment;
- (b) derives income from an Australian source; or
- (c) was considered a PRC resident enterprise.

14.3 Acquisition

The acquisition of a CDI (or Share) is an acquisition of a CGT asset.

14.4 Dividends received

- (a) By tax residents of Australia

- (i) An individual, trust or superannuation fund

The amount of the dividend received by the individual, trust or a superannuation fund must be included in their assessable income as foreign income in the year the dividend is paid. As the dividends from a company incorporated in the BVI are not subject to withholding tax, the individual, trust or superannuation fund will not be entitled to a foreign income tax offset (**FITO**) from this income.

- (ii) A company

To the extent a company owns CDIs (or Shares) that amount to less than 10% of the voting power in the Company, the dividends received must be included in their assessable income as foreign income in the year the dividend is paid. As the dividends from a company incorporated in the BVI are not subject to withholding tax, the company will not be entitled to a FITO from this income.

To the extent a company owns CDIs (or Shares) that amount to at least 10% of the voting power in the Company, the dividends received will be treated as non-assessable non-exempt income.

It is noted that to the extent a dividend is received in a currency other than Australian dollars, the amount included in assessable income is to be translated into Australian dollars (generally at the exchange rate applicable on the day the dividend is paid).

- (iii) By non-tax residents of Australia and temporary residents

There will be no Australian taxation implications for non-tax residents of Australia and temporary residents (as defined) of

Australia as the dividends received are not from an Australian source.

14.5 Disposal (except by way of conversion of a CDI - refer below)

The disposal of the CDI (or Share), is a CGT event. If the capital proceeds from the disposal are greater than the cost base of the CDI (Shares), there will be a capital gain. Conversely, if the capital proceeds are less than the reduced cost base, there will be a capital loss.

Current year capital losses and prior year capital losses (where they can be carried forward) can be used to offset capital gains but cannot be used to reduce tax payable on ordinary income (e.g. dividends).

(a) By tax residents of Australia

(i) An individual or trust

To the extent the individual or trust has held the CDI for at least twelve (12) months, they will be entitled to a 50% discount on the capital gain.

The balance of capital gains, after the application of any capital losses and the 50% discount if applicable, will be included in their assessable income.

(ii) A complying superannuation fund

To the extent the complying superannuation fund has held the CDI for at least twelve (12) months, it will be entitled to a 1/3 discount on the capital gain.

The balance of capital gains, after the application of any capital losses and the 1/3 discount if applicable, will be included in its assessable income where it is not in pension phase.

(iii) A company

To the extent a company owns CDIs that amount to a direct voting percentage of less than 10% in the Company, the capital gain must be included in its assessable income.

To the extent a company owns CDIs that amount to a direct voting percentage of 10% or more in the Company for a certain period before the CGT event happens, the capital gain (or capital loss) is reduced by a percentage that reflects the degree to which the assets of the Company are used in an active foreign business.

A company is not eligible for a 50% discount.

(b) By non-tax residents of Australia and temporary residents

As the Company will not have assets in Australia, the CDIs will not be taxable Australian property. Consequently, any capital gain (or capital loss) made on the disposal of the CDI will be disregarded.

14.6 Return of capital

For the purposes of calculating the cost base (or reduced cost base) of a CDI and consequently a capital gain or capital loss, an investor should reduce the cost base of their CDIs by any amounts that are characterised as a return of capital.

Where the total returns of capital exceed the cost base of the CDIs (i.e. the cost base has been reduced to zero), the excess is assessable as a capital gain, even though the investor has not sold their investment in the Company.

This is only relevant where a capital gain or capital loss will not be disregarded (e.g. a non-tax resident of Australia or temporary residents' investment in the Company).

14.7 Conversion of CDIs to Shares

The conversion of the CDI to a Share in the Company is not a CGT event as, notwithstanding a change in legal ownership of the interest in the Company, there has been no change in beneficial ownership.

14.8 'Accruals taxation'

The accruals taxation system in Australia operates to assess Australian tax residents on an accruals basis on their share of income derived by certain foreign entities that have not been comparably taxed offshore by attributing the entity's income to the Australian tax resident even if the income has not been distributed.

The Company assumes that Australian investors (together with associates) will not hold sufficient interests in the Company (or its subsidiaries or associates) to be considered a Controlled Foreign Company (CFC).

The Company notes that a CFC will exist under the Australian provisions if:

- (a) there are five or fewer Australian residents or associates of Australian residents (each holding at least 1%) who have or are entitled to acquire at least a 50% control interest in the foreign company;
- (b) a single Australian resident (together with associates) holds at least 40% of the control interests in the foreign company. This can be rebutted if there is a person who is not an Australian resident who actually controls the foreign company; or
- (c) irrespective of the interests in the foreign company, five or fewer Australian residents (including their associates) have de facto control of the foreign company.

Foreign Investment Fund (FIF) accruals provisions do not apply to the investor's CDIs as the FIF accrual provisions have been repealed for the 2010-11 income year and later income years. It is to be noted that the Foreign Accumulation Funds (FAF) legislation is still pending.

This is a complex area of the law and investors should seek their own independent advice in relation to the CFC and pending FAF rules.

14.9 Duties

There should be no Australian duty payable on the issue of the CDIs pursuant to the Offer. Under current state-based duty legislation, duty would not ordinarily be payable on any subsequent transfer of CDIs provided the Company remains listed on the NSX.

14.10 Goods and Services Tax (GST)

No Australian GST liability should arise on either the issue of the CDIs pursuant to the Offer or on the subsequent conversion or disposal of the CDIs.

15 ADDITIONAL INFORMATION

15.1 No Prospective Financial Forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings because the proposed future operations of the Company do not have an operating history from which reliable forecasts can be made. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Prospectus includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward looking statements. These statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

15.2 Continuous disclosure

Upon admission to the official list of NSX, the Company will be required to notify NSX of information which may have a material effect on the price or value of the Company's Shares. To comply with its continuous disclosure obligations:

- (a) the Nominated Adviser has provided a briefing on continuous disclosure obligations to the Board and senior management; and
- (b) the Company will conduct regular board meetings with continuous disclosure a standing agenda item and its Nominated Adviser in attendance.

15.3 Waiver

The Company has applied for a waiver of NSX Listing Rule 2.2, so as to not require the Company to appoint a sponsoring broker to the Offer.

15.4 Interests of experts and advisors

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Kings Park Corporate Lawyers (**KPCL**) has acted as Australian legal advisor and as Nominated Adviser to the Company in connection with its application to list on NSX. The Company has paid or will pay an aggregate of approximately A\$130,000 (excluding GST) to KPCL for these services. KPCL has not provided other professional services to the Group during the last 2 years.

Biztrack Consultants Private Limited (**Biztrack**) has acted as corporate advisor to the Company in relation to the Company's application to list on NSX. In respect of this work, the Company has paid or will pay a sum of A\$40,000 to Biztrack for these services. Biztrack has not provided other professional services to the Group during the last 2 years.

HLB Mann Judd (**HLB**) has prepared the Investigating Accountant's Report in this Prospectus and section 14 Australian tax implications. In respect of this work, the Company has paid or will pay a sum of A\$16,500 (including GST) to HLB for these services. HLB has not provided other professional services to the Group during the last 2 years.

China Legal Bureau (Singapore) (**CLB**) has acted as Chinese legal advisor to the Group in connection with the Offer. The Company has paid or will pay an aggregate of approximately S\$10,000 (excluding GST) to CLB for these services. CLB has not provided other professional services to the Group during the last 2 years.

Conyers Dill & Pearman Pte. Ltd. (**CDP**) has acted as special BVI legal advisor to the Group in connection with this Prospectus. The Company has paid or will pay an aggregate of approximately US\$9,000 to CDP for these services. CDP has not provided other professional services to the Group during the last 2 years.

15.5 Consents

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgement of this Prospectus with ASIC withdrawn their written consent:
 - (i) to be named in the Prospectus in the form and context which it is named; and

- (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
- (b) has not caused or authorised the issue of this Prospectus;
- (c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

Name	Role	Statement/ Report
Kings Park Corporate Lawyers	Australian Lawyers and Nominated Adviser	Section 13
Conyers Dill & Pearman Pte. Ltd.	Special advisors as to BVI Law	Sections 8.11 and 13 (to the extent statements relate to BVI law and the M&A)
Biztrack Consultants Private Limited	Corporate Advisor	Nil
HLB Mann Judd	Investigating Accountants	Section 10
	Australian Taxation Implications	Section 14
China Legal Bureau (Singapore)	Chinese Lawyers	Sections 0
Shanghai Jugu Equity Investment Fund (上海巨谷股权投资基金)		Section 5.12
J.K Tan & Co., Chartered Accountants	Auditors	historical financial information of SKCM as at 31 March 2015

16 DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 17 June 2015

A handwritten signature in black ink, reading "Julian Atkinson". The signature is written in a cursive, flowing style.

Signed for and on behalf of
SHKL Group Limited
by Julian Roger Atkinson

17 GLOSSARY

Where the following terms are used in this Prospectus, they have the following meanings:

APAIG	Australian Property and Investment Group Pty Ltd.
ASIC	Australian Securities and Investment Commission.
ASX	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532).
BC Act	BVI Business Companies Act 2004 (as amended or restated from time to time).
BVI	The Territory of the British Virgin Islands.
CDI	CHESS Depositary Interests, being a unit of beneficial ownership of Shares.
CDN	CHESS Depositary Nominees Pty Ltd.
Closing date	The date on which the offer closes, being a date determined by the Directors.
Company or SHKL Group	SHKL Group Limited (formerly called KSTV Group Limited (Company No. 1847231) ARBN 603010868, a BVI business company incorporated in and under the laws of BVI.
Corporations Act	The <i>Corporations Act 2001</i> (Cth) as amended.
Director	A director of the Company and, where the context requires, any proposed director.
EIT Law	PRC Enterprise Income Tax Law 2008 as amended.
Existing Shareholders	Shareholders of as of the date of this Prospectus.
Group	The Company, its subsidiaries and its controlled entities, including (by virtue of the VIE Contracts) SKCM.
Investigating Accountant's Report	The investigating accountant's report included in section 10.
Investment	has the meaning given in section 5.12.

Agreement

Jugu Fund	Shanghai Jugu Equity Investment Fund (上海巨谷股权投资基金).
KSTV	KSTV (Hong Kong) Limited.
Legal Opinion	has the meaning given in section 5.9, a copy of which is included in section 0.
Listing Rules	The listing rules of the NSX.
Memorandum and Articles of Association or M&A	The Memorandum of Association and the Articles of Association of the Company.
Nominated Adviser	Kings Park Corporate Lawyers.
NSX	The National Stock Exchange of Australia.
Offer	means the offer under this Prospectus of 10,000,000 Shares each at an issue price of A\$2.00 by way of a private placement to raise A\$20,000,000.
Official List	The Official List of the NSX.
PRC or China	The People's Republic of China.
Prospectus	This prospectus and includes the electronic version of this prospectus.
Shanghai UTO	Shanghai UTO X-Internet Co., Limited.
SKCM	Shanghai Kunlun Cultural Media Co., Limited, an entity incorporated in China.
Share	A fully paid ordinary share in the share capital of the Company or, where the context requires, a CDI over a fully paid ordinary share in the share capital of the Company.
Shareholder	A registered holder of Shares or, where the context requires, CDIs over Shares.
Share Registry	Link Market Services Limited.
VIE Contracts	has the meaning given in section 5.8.