

ANNUAL CORPORATE GOVERNANCE STATEMENT

Name of entity: SHKL Group Limited, (the "Company")

ACN / ARBN: 603 010 868

Reporting period: 1 April 2016 to 31 March 2017, (the "Reporting Period")

Principle No.	Recommendation	Compliance or Reason for Non-compliance
1.1	A listed entity should disclose: <ul style="list-style-type: none"> (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management. 	<p>The Company does not comply in full with this Recommendation.</p> <p>The Company recognises that the overall responsibility of the board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. Given the current size of the Company and of the board, and of the scale of the Group's operations, the board is yet to formally adopt a formal board charter. The Board will continually review the need for a board charter, and adopt it as and when the need arises in the future.</p>
1.2	A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	<p>The Company complies in full with this Recommendation</p> <p>The entire board will carry out appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. All material information in the board's possession will be set out in explanatory notes accompanying notices of general meetings where appointments of directors will be voted on by security holders.</p>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>The Company complies in full with this Recommendation</p> <p>Each director is required to sign a letter of appointment setting out the terms of his or her appointment. There is currently no senior executive being employed on a full time basis by the Group.</p>
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>The Company complies in full with this Recommendation.</p> <p>The chair and each member of the board has free and unfettered access to the company secretary. The company secretary is also authorized to communicate any issue or raise any concern directly with the chair and/or any member of the board as he consider necessary.</p>
1.5	A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving 	<p>The Company does not comply in full with this Recommendation.</p> <p>The board supports workplace diversity, including gender diversity but considers that the Company is not of a size or maturity to justify a formal diversity</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
	<p>gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy,</p> <p>and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>policy. The board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operations rather than focusing on gender and other diversity factors.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company complies in full with this Recommendation.</p> <p>The Company has a practice and a process of periodically evaluating the performance of the board (collective self appraisal) and individual directors (peer review by other members of the board). This review will be done at the end of each financial year at the same time the board meets to approve its financial statements for that financial year.</p> <p>In relation to the Reporting Period, the Company had carried out a performance evaluation in accordance with this process.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance</p>	<p>The Company complies in full with this Recommendation.</p> <p>The board will meet at least annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Group as a whole.</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
	evaluation was undertaken in the reporting period in accordance with that process.	In relation to the Reporting Period, this performance evaluation was not carried out as there is no senior executive employed by the Group.
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is not currently of a size to justify the formation of a nomination committee. The board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the board either as addition to the board to supplement its current skills and experience or as part of succession planning for the board.</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is currently at early stages of operations, and that its current composition has the appropriate level of experience and skills to manage the Company. As the Company grows in scope and scale of operations, the board will assess the skills matrix it currently has, the skills matrix it seeks to achieve and what actions it needs to take to achieve that target. The board will continuously assess whether</p>
2.3	A listed entity should disclose:	The Company complies in full with this Recommendation.

Principle No.	Recommendation	Compliance or Reason for Non-compliance
	<p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>As of the date of this Corporate Governance Statement, the board comprised of the following persons:</p> <p>Zhang Yeping Independent non-executive director Date first appointed: 24 November 2014 Date last elected: 29 August 2016</p> <p>ZHOU Xinghang Executive director / managing director Date first appointed: 24 November 2014 Date last elected: 29 August 2016[#] [#] Managing director, not subject to re-election</p> <p>SHEN Weiguo Non-independent non-executive director Date first appointed: 24 November 2014 Date last elected: 29 August 2016</p> <p>WU Jude Independent non-executive director Date first appointed: 24 November 2014 Date last elected: 29 August 2016[@] [@] To be subject to re-election at the next AGM</p> <p>The independent directors, namely Mr ZHANG Yeping and Mr WU Jude has no interest, position, association or relationship of the type described in Box 2.3.</p>
2.4	A majority of the board of a listed entity should be independent directors.	<p>The Company does not comply in full with this Recommendation.</p> <p>The board currently comprise of one executive director, one non-independent non-executive director and two independent directors. The board consider that the current size of the Company and the scale of the Group's operations do not justify having a large board when the functions of the board can be performed adequately by the current board.</p> <p>As the Company grows in scope and scale of operations, the board will assess whether there is a need to expand the board by inviting person(s) with the right skills sets to join the board as independent director(s).</p>
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>The Company complies in full with this Recommendation.</p> <p>Currently, the chairman of the board is ZHANG</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>Yeping, an independent non-executive director, and the CEO of the Company is ZHOU Xinghang.</p> <p>The Company complies in full with this Recommendation.</p> <p>The board has put in place a program where all new directors will be assessed by the Company's nominated adviser as to the extent of his or her awareness of his or her responsibilities as a director of a company which is listed on NSX, and where such awareness is insufficient, to undergo such training or induction as may be recommended by the nominated adviser.</p> <p>The present members of the board are aware of their personal responsibilities to develop and maintain the skills and knowledge needed to perform their role as directors effectively and, if so requested by a director, the Company will bear reasonable costs and expenses of any continuing education program or course which a director may request to attend.</p> <p>Finally, the board intends to appoint only as director a person who has the necessary skills and knowledge to perform his or her intended role and who is aware of his or her personal responsibility for his or her own continuous education.</p>
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The Company has not formally adopted a Code of Conduct. However, every director, senior executive and employees is aware of his or her responsibility to at all times act ethically and strictly comply with the spirit and letter of all laws and regulations of countries in which the Group carry on business</p>
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non- executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The board as a whole, in consultation with the incumbent external auditor, undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.</p> <p>The board maintains regular communication with</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
	<p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>the external auditor and monitors their performance on a yearly basis. Currently, the board considers the Company's financial affairs not to be of such complexity as to justify the rotation of the audit partner.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Company complies in full with this Recommendation.</p> <p>The board will receive an annual assurance in the form of a declaration from the chief executive officer and the chief financial officer (or equivalent) as required by the <i>Corporations Act 2001</i>.</p>
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Company complies in full with this Recommendation.</p> <p>It is Company's policy, and will make such a policy a term of the auditor's appointment, for the engagement partner or a personnel of sufficient seniority who was involved in the conduct of the audit to be present at the AGM be available to answer questions about the conduct of the audit and the preparation and content of the auditors' report.</p>
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is not currently of a size or that the Group's scale of operations is sufficiently large and complex to</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
	(b) disclose that policy or a summary of it.	have a written policy for complying with its continuous disclosure obligations under the Listing Rules. Each and every director and member of senior management is aware of the Company's continuous disclosure obligations. The board and senior management will work closely with and will consult the Company's nominated adviser to ensure it fulfills its continuous disclosure obligations.
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>The Company complies in full with this Recommendation.</p> <p>The Company maintains a corporate website (URL: www.shkl.tv). The website contains information about the Company and its operating subsidiaries. An updated Corporate Governance Statement will also be published on the website.</p>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>The Company complies in full with this Recommendation.</p> <p>The Company implements an active investor relations program. It outsources its investor relations functions to its nominated adviser who is to designate one of its personnel to act as the Company's investor relations officer tasked to attend to all communication with investors and to act as communications liaison for existing and/or potential investors with the Company's preferred broker. The e-mail address of the investor relations officer is skv.ir@mybiztrack.com and investors are encouraged to write to the Company with any queries.</p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>The Company does not comply in full with this Recommendation.</p> <p>The Company has not put in place any policy and processes to facilitate and encourage participation at meetings of security holders. However, the Company allows unrestricted reasonable discussions and dialogue with and receive feedback from security holders during the Company's general meetings.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>The Company complies in full with this Recommendation.</p> <p>The Company's security registry has in place and has implemented a system where security holders are given the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is not of a size, nor is its operations of such complexity, to justify the formation of a risk management committee. The board as a whole will oversee the risk management for the Company taking into account key material risks faced by the Company as identified by the board and how these risks or, if the risks materialises, its possible impact can be minimised.</p> <p>The board will ensure that risk management is included on the agenda of meetings of the board.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Company complies in full with this Recommendation.</p> <p>The board will reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound. For the Reporting Period, the board carried out this risk management framework.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company complies in full with this Recommendation.</p> <p>The Company does not have an internal audit function.</p> <p>The primary responsibility for risk management and internal controls on a day-to-day basis at the operations level vests with the CEO. The board will ensure that risk management is included on the agenda of meetings of the board for discussion.</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>The Company complies in full with this Recommendation.</p> <p>Material risks which the Company is exposed to and how it manages or intend to manage these risks are disclosed in this information memorandum. The board will continue to monitor the Company's exposure to these risks (or for any other risks the Company may become expose to in the future) and disclose them in the Company's annual report.</p>
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company does not comply in full with this Recommendation.</p> <p>The board considers that the Company is not of a size to justify the formation of a remuneration committee. The board as a whole will perform the function of the remuneration committee.</p> <p>The remuneration of executive directors are set out their employment contracts. The board will seek shareholders' approval at general meetings before paying any directors' fees.</p> <p>The CEO sets and determines the remuneration for senior executives and he does so having regard to prevailing levels paid to executives performing similar roles at comparable companies. Where the remuneration intended to be offered to any senior executive is materially more than such comparable levels, the CEO is required to obtain prior approval from the board before making such an offer.</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>The Company does not comply in full with this Recommendation.</p> <p>The Company does not have a formal policy regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. The current practice in relation to this is set out in the explanation to the Company's adoption of Principal 8.1 above.</p>

Principle No.	Recommendation	Compliance or Reason for Non-compliance
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>This Recommendation is not applicable as the Company does not have an equity-based remuneration scheme.</p>

Signed:  _____

Date: 6 July 2017

Name of signatory in block letters: ZHOU Xinghang

Director, for and on behalf of **SHKL GROUP LIMITED**