

9 AUGUST 2016

SHKL GROUP LIMITED

AND ITS SUBSIDIARY AND CONTROLLED ENTITY
(Incorporated in the Territory of the British Virgin Islands)
(BVI No. 1847231 | ARBN 603 010 868)

ANNUAL REPORT

FOR THE FINANCIAL YEAR FROM

29 OCTOBER 2014
(DATE OF INCORPORATION)

TO

31 MARCH 2016

1. Managing Director's Statement

On behalf of the Board, I am pleased to present to you the first Annual Report of SHKL Group Limited (the "Company") for the financial year from 29 October 2014 (date of incorporation) to 31 March 2016 (the "Financial Year Under Review"), and the directors' review of operations for that period. The 2016 Annual Report incorporates the audited financial statements for the Financial Year Under Review (the "Financial Statements") for the Company, its subsidiary and its controlled entity (the "Group"). A copy of this audited financial statements is attached to this Annual Report as Appendix A.

The Financial Year Under Review had seen a significant milestone in the development of the Company, the more significant ones being:

- (a) the Company was admitted to the official list of and its shares quoted on the National Stock Exchange of Australia ("NSX");
- (b) the Group's range of large touch screen PCs and related software products being successfully rolled out; and
- (c) the Company investing into the financial and corporate services sector with its acquisition of a substantial stake in NSX Limited, the holding company of NSX.

The Group's range of large touch screen PCs and related software were successfully rolled out early in the Financial Year Under Review with the initial batch of commercial production being sold to the market. However during this period, the Group's appointed exclusive wholesaler did not perform as expected. Therefore, the Group is looking to not only appoint other wholesalers but to market these products directly to end-users. With the change of this marketing approach, the board hopes to be able to report an improvement in the performance of this business segment in the next annual report.

I am also pleased to report that during the Financial Year Under Review, an opportunity arose for the Company to take a minority but significant stake in NSX Limited, the holding company of NSX. As of the date of this annual report, the Company has invested a total sum of US\$6,212,500 to acquire a 16.419% stake in NSX Limited. The Company intends to hold this stake in NSX Limited as a long-term investment and, to value-add to this investment, the Company will:

- (i) introduce more Chinese companies to list on NSX; and
- (ii) work with the management of NSX Limited to develop and implement an effective marketing initiatives to make NSX more widely known amongst potential issuers and investors in China.

2. Principal Activities of the Group

The principal activity of the Company is that of an investment holding company while the principal activity of its controlled entity is designing, developing and producing large touch screen PCs and its associated software for educational institutions and as smart office automation conference systems.

3. Subsidiaries

As of 31 March 2016, the end of the Financial Year Under Review, the Company's subsidiaries (including its controlled entity) are:

Name of subsidiary	Country of incorporation	Interest held	Principal activities
KSTV (Hong Kong) Limited	Hong Kong	100%	Investment holding
<i>Controlled by KSTV (Hong Kong) Limited</i>			
Shanghai Kunlun Cultural Media Co., Limited	China	100%	Designing, developing and producing large touch screen PCs and its associated software for educational institutions and as smart office automation conference systems

4. Directors' Interests in Securities

As at 31 March 2016 (the end of the Financial Year Under Review) and 4 August 2016 (the latest practicable date before the 2016 Annual Report is issued), the interests of directors and officers of the Company in equity securities (shares and CDIs) of the Company are as follows:

	Directly Held		Deemed Interests	
	Date of appointment	31.03.2016 and 04.08.2016	Date of appointment	31.03.2016 and 04.08.2016
Zhang Yeping	Nil	116,660	Nil	Nil
Zhou Xinghang	Nil	22,934,998	Nil	Nil
Shen Weiguo	Nil	22,934,998	Nil	Nil
Zhu Min	Nil	10,080,000	Nil	Nil
Zhang Sunyan	Nil	Nil	Nil	Nil
Wu Jiping	Nil	279,000	Nil	Nil
Qiao Xinmin	Nil	333,330	Nil	Nil

Save as disclosed above, no director or officer of the Company has a vested right to receive any distribution made on the securities or is entitled to exercise or direct the exercise of the voting rights attaching to the securities.

As of the end of the Financial Year Under Review:

- (a) the Company and its subsidiaries does not have on issue any debt security; and
- (b) the Company has not granted any right to subscribe for any equity or debt security of the Company to any person, including a director or officer of the Company.

5. Forecast

The Company has not published any forecast in relation to the Financial Year Under Review.

6. Directors' Service Contract

During the Financial Year Under Review, there is no service contract in force with any director of the Company.

7. Material Or Significant Contracts With Director Or Controlling Shareholder

As disclosed in the Company's prospectus dated 17 June 2015, KSTV (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a number significant and material contracts with Zhou Xinghang and Shen Weiguo in relation to the Group's ownership structure. These contracts are collectively described in the prospectus as the "VIE Contracts", and are:

- (a) Sale and Purchase Agreement dated 24 November 2014;
- (b) Call Option Agreement dated 12 September 2014;
- (c) Share Pledge Agreement dated 12 September 2014; and
- (d) Exclusive Consulting and Service Agreement dated 12 September 2014.

Further details of the VIE Contracts are set out on pages 31 to 34 of the Company's prospectus dated 17 June 2015.

Save as disclosed above and in the Financial Statements, there is no contract subsisting during or at the end of the Financial Year Under Review:

- (i) in which a director of the issuer is or was materially interested, either directly or indirectly; or
- (ii) between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries; or
- (iii) for the provision of services to the Group by a controlling shareholder or any of its subsidiaries;

8. Discloseable Arrangements with Directors and Shareholders

As disclosed in the Company's prospectus dated 17 June 2015, each of Zhu Min, Zhou Xinghang and Shen Weiguo is entitled to wages, salaries and/or bonuses amounting to RMB120,000. In view that the Group has not yet become profitable, each of them has agreed to waive their respective entitlement.

Save as disclosed above, during and at the end of the Financial Year Under Review, there has been no arrangement under which:

- (a) a director has waived or agreed to waive any emoluments; or
- (b) a shareholder has waived or agreed to waive any dividends.

10. Directors' Review of Operations

Directors' review of operations is incorporated in the Managing Director's statement set out in paragraph 1.

11. Statement of Main Corporate Governance Practices

Given the size of the Company, the board has not formally adopt corporate governance procedures. However, in performing its duties and functions, the board closely follows the informal principles and guidelines set out in this Note 11. As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance structures will be given further consideration.

The primary responsibility of the board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the board is responsible for the overall corporate governance of the Company, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- (a) protection and enhancement of shareholder value;
- (b) formulation, review and approval of the objectives and strategic direction of the Company;
- (c) approving all significant business transactions, including acquisitions, divestments and capital expenditure;
- (d) monitoring the financial performance of the Company by reviewing and approving budgets and results;
- (e) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (f) identification of significant business risks and ensuring that such risks are adequately managed;
- (g) reviewing the performance and remuneration of executive directors and key staff; and
- (h) establishment and maintenance of appropriate ethical standards.

As of the end of the Financial Year Under Review, the board comprise of four independent non-executive directors, namely Zhang Yeping, Zhang Sunyan, Wu Jiping and Qiao Xinmin, and three executive directors, namely Zhu Min, Zhou Xinghang and Shen Weiguo. Zhang Yeping acts as the chair of the board.

Zhu Min, Zhang Sunyan and Qiao Xinmin retires at the forthcoming annual general meeting and will not be seeking re-election. On behalf of the board, I would like to thank these retiring directors for their past services to the Company and wish them the very best for their future endeavours.

At present, the board does not have a fixed number of meetings it will hold per annum. The board meets as frequently as may be required to deal with matters arising.

12. List of Top-10 Shareholders

As of 4 August 2016 (the latest practical date before the 2016 Annual Report is issued), the ten (10) largest holders of CDIs issued by the Company (including non-listed CDIs which are subject to escrow arrangements and CDIs held by the Company) are:

S/No.	Name of CDI-holder	Number of CDIs held	%
1.	Zhou Xinghang	22,934,998	20.85
	Shen Weiguo	22,934,998	20.85
3.	Zhu Min	10,080,000	9.16
4.	Shanghai Jugu Shares Investment Fund Co., Limited	10,000,000	9.09
5.	Wang Zhiqun	4,400,000	4.00
6.	Yin Zhengguo	4,000,000	3.64
7.	Quiya Pan	2,200,000	2.00
8.	Shen Rongyu	2,162,411	1.97
9.	Chen Ying	2,000,000	1.82
10.	Chen Keping	1,800,000	1.64
		82,512,407	75.02
	Held by other CDI-holders	27,487,593	24.98
		110000000	1000.00

On behalf of the board of directors



Shen Weiguo
Managing Director
Shanghai, China
9 August 2016

APPENDIX A

SHKL GROUP LIMITED

(ARBN 603 010 868)
(Incorporated in British Virgin Islands)

ANNUAL REPORT

For the period from 29 October 2014
(Date of incorporation) to 31 March 2016

INDEX

	Page No.
Directors' report	1
Statement by Directors	3
Independent auditor's report	4
Statements of financial position	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the financial statements	10

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

The Directors submit to the members the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial period from 29 October 2014 (date of incorporation) to 31 March 2016.

1. DIRECTORS

The Directors of the Company in office at the date of this report are:

<u>Name</u>	<u>Particulars</u>
ZHANG Yeping	Independent Non-executive Director, Chairman (appointed 24/11/2014)
ZHOU Xinghang	Executive Director (appointed 24/11/2014)
SHEN Weiguo	Executive Director (appointed 24/11/2014)
ZHU Min	Executive Director (appointed 24/11/2014)
ZHANG Sunyan	Independent Non-executive Director (appointed 24/11/2014)
WU Jiping	Independent Non-executive Director (appointed 24/11/2104)
QIAO Xinmin	Independent Non-executive Director (appointed 24/11/2104)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial period, neither the Company nor any of its controlled entities was a party to any arrangement of which the object was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other corporate body, other than as disclosed in this report.

3. DIRECTORS' INTERESTS IN SHARES

None of the Directors who held office at the end of the financial period had any interests in the shares of the Company or its related corporation, except as follows:

	<u>Holdings registered in the name of Director or nominee</u>		<u>Holdings in which Director is deemed to have an interest</u>	
	As at date of appointment 24.11.2014	As at 31.03.2016	As at date of appointment 24.11.2014	As at 31.03.2016
ZHANG Yeping	166,660	166,660	-	-
ZHOU Xinghang	22,934,998	22,934,998	-	-
SHEN Weiguo	22,934,998	22,934,998	-	-
ZHU Min	10,080,000	10,080,000	-	-
WU Jiping	279,000	279,000	-	-
QIAO Xinmin	333,330	333,330	-	-

4. SHARE OPTIONS

During the financial period, no options were granted to take up unissued shares of the Company and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company. At the end of the financial period, there were no unissued shares of the Company under option.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016


5 DIRECTORS' CONTRACTUAL BENEFITS


Except as disclosed in the financial statements, since the date of incorporation, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

6 AUDITORS

The independent auditor, J. K. TAN & CO, has expressed its willingness to accept re-appointment.

On behalf of the Directors


.....
ZHANG Yeping
Independent, Non-executive Chairman


.....
SHEN Weiguo
Executive director

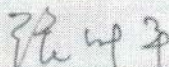
Dated: 21 June 2016


SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT BY DIRECTORS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

In the opinion of the Directors:

- (a) the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2016 and of the results of the business, changes in equity and cash flows of the Group for the financial period from 29 October 2014 (date of incorporation) to 31 March 2016; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors


.....
ZHANG Yeping
Independent, Non-executive Chairman


.....
SHEN Welguo
Executive director

Dated: 21 June 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHKL GROUP LIMITED**

Report on the financial statements

We have audited the accompanying financial statements of SHKL Group Limited ("the Company") and its controlled entities ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2016, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period from 29 October 2014 (date of incorporation) to 31 March 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

-Continued

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHKL GROUP LIMITED**

Opinion (Continued)

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and of the Company as at 31 March 2016, and its financial performance and cash flows of the Group for the financial period from 29 October 2014 (date of incorporation) to 31 March 2016 in accordance with International Financial Reporting Standards.



J. K. TAN & CO
Chartered Accountants
Malaysia, 21 June 2016

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	The Company 31.3.2016 \$	The Group 31.3.2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1	1,357
Total current assets		1	1,357
Non-Current Assets			
Plant and equipment	6	-	25,156
Intangible assets	7	-	105,414
Other receivable	8	-	11,407,227
Amount due from controlled entity	9	11,407,227	-
Investments at fair value through profit or loss	10	4,270,500	4,270,500
Goodwill	11	-	3,710
Investment in subsidiaries	12	5,200	-
Total non-current assets		15,682,927	15,812,007
TOTAL ASSETS		15,682,928	15,813,364
LIABILITIES			
Current Liabilities			
Other payables	13	-	1,587,095
Total current liabilities		-	1,587,095
Non-Current Liabilities			
Amount due to directors	14	-	1,813,936
Total non-current liabilities		-	1,813,936
TOTAL LIABILITIES		-	3,401,031
NET ASSETS		15,682,928	12,412,333
Equity			
Share capital	15	19,730,201	19,730,201
Other reserve		-	(2,757,478)
Translation reserve		-	317,416
Loss for the financial period		(4,047,273)	(4,877,806)
TOTAL EQUITY		15,682,928	12,412,333

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

		From 29.10.14 to 31.3.2016
	Notes	\$
Revenue	16	523,987
Net (loss) on financial assets and liabilities at fair value through profit or loss	10	(4,047,273)
		(3,523,286)
Cost of sales		(152,902)
Gross loss		(3,676,188)
Other income		-
Administrative expenses		(1,201,618)
Loss before tax		(4,877,806)
Income tax expense	19	-
Loss for the financial period		(4,877,806)
Attributable to:		
Equity holders of the parent		(4,877,806)
Non-controlling interests		-
		(4,877,806)
Exchange differences on translation foreign controlled entities		317,416
Total comprehensive (loss) for the financial period		(4,560,390)
Attributable to:		
Equity holders of the parent		(4,560,390)
Non-controlling interests		-
		(4,560,390)
Loss Per Share		
Basic Loss Per Share (cents)	20	(4.88)
Diluted Loss Per Share (cents)	20	(4.88)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

	Notes	Share capital \$	Loss for the period \$	Other reserve \$	Translation reserve \$	Total equity \$
At 29.10.2014 (Date of incorporation)		1	-	-	-	1
Issue of shares		20,005,200	-	-	-	20,005,200
Capital raising cost	15	(275,000)	-	-	-	(275,000)
Total comprehensive loss for the period		-	(4,877,806)	-	-	(4,877,806)
Other reserves in business acquired under common control		-	-	(2,757,478)	-	(2,757,478)
Currency translation reserve		-	-	-	317,416	317,416
Balance at 31.03.2016		19,730,201	(4,877,806)	(2,757,478)	317,416	12,412,333

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

	Notes	From 29.10.14 to 31.3.2016 \$
Cash flow from operating activities		
Loss before taxation		(4,877,806)
Adjustments for:		
Depreciation of plant and equipment	6	494,769
Amortisation of intangible assets	7	341,349
Net fair value loss on investment at fair value through		
Profit or loss	10	4,047,273
Unrealised foreign exchange gain		322,003
Operating cash flow before movements in working capital		327,588
(Increase) in other receivables		(11,407,227)
Increase in other payables		1,587,095
Net cash (used in) operating activities		(9,492,544)
Cash flows from investing activities		
Purchase of intangible assets		(520,809)
Purchases of plant and equipment		(450,466)
Cash flow on acquisition of controlled entity		(2,757,478)
Investments at fair value through profit or loss	10	(8,317,773)
Net cash (used in) acquisition of subsidiaries	12	(3,710)
Net cash (used in) investing activities		(12,050,236)
Cash flow from financing activities		
Net proceeds from issuance of shares		19,730,201
Amount due to directors		1,813,936
Net cash from financing activities		21,544,137
Net increase in cash and bank balances		1,357
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	5	1,357

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

1. CORPORATE INFORMATION

SHKL Group Limited is the Group's ultimate parent company. The Company was incorporated in and under the laws of the British Virgin Islands on 29 October 2014.

The Company was listed on the National Stock Exchange of Australia on 18 August 2015. The registered office of the Company in British Virgin Islands located at Offshore Incorporations Centre, Coastal Building, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Company is an investing holding company. The Group is principally engaged in the production and distribution of culture media product including software programs, television audio and video products.

The financial statements of the Company and of the Group for the period ended 31 March 2016 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis and are presented in Australian Dollars which is the Company's functional currency. All financial information is presented in Australian Dollars, unless otherwise stated.

The Company entered the following material contract which give the Company effective control of Shanghai Kunlun Cultural Media Co., Limited (SKCM) business including all commercial interest in SKCM.

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

The company 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 (Hong Kong) Limited (KSTV) for a nominal consideration of AUD5,200 (or equivalent to approximately HKD35,000) to be satisfied in full by the issue of 99,999,999 Shares credited as being fully paid.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.1 Basis of preparation-continued

(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.

(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.

(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.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.2 Adoption of new and amended IFRSs

The Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for financial periods beginning on or after 29 October 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company and the Group.

2.3 IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Company. The Group have not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
Amendments to IFRS11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IAS 7	Statement of Cash Flows	1 January 2017
Amendments to IAS 12	Income Taxes	1 January 2017
Amendments to IAS 16 And IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 And IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IFRS 10 IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.4 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its controlled entities as at 31 March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. exiting rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a controlled entity begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line basis so as to write off the cost of plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Office equipment	5 years	5%
Furniture & fittings	5 years	5%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.6 Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. 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.

2.7 Financial assets

The Group classifies its financial assets, at initial recognition, into one of the following categories: investments at fair value through profit or loss, loans and receivables, derivative financial instruments and other financial assets, as appropriate, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Investments at fair value through profit or loss

These financial assets are designated by the Board of Directors at fair value through profit or loss at inception, which include investment in debt and equity securities upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Group.

Recognition / Derecognition:

Regular acquisitions and disposals of investments are recognised on the trade date on which the Company received acquisitions of investments or delivered disposals of investments. A fair value through profit or loss asset is derecognised when the Company loses control over the contractual rights that comprise that assets. This occurs when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets.

Measurement:

Financial assets held at fair value through profit or loss is initially recognised at fair value. Transaction costs are expensed in the profit or loss. Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss are presented in the profit or loss in the period in which they arise.

Dividend income from investments at fair value through profit or loss is recognised in the profit or loss within other income when the Company's right to receive payments is established.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.7 Financial assets-Continued

Fair value estimation:

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques in accordance with the Guidelines.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise bridging loans and other receivables in the statement of financial position. Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortization process.

2.8 Financial liabilities

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using effective interest rate method, with interest expenses recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.9 Cash and cash equivalents

Cash and bank balances comprise cash in hand and at bank that are subject to an insignificant risk of changes in value.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.10 Impairment of tangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset /cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset /cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

1) Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit or loss and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

2) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods,

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.12 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.13 Employee benefits

Defined contribution plan

The employees of the Group are required to participate in a central pension scheme operated by the government. The company are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Company's obligations under these plans are limited to the fixed percentage contributions payable.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.14 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss statement on a straight – line basis over the lease term. The aggregated benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight – line basis.

2.16 Related Parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint over the Company
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the company

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.16 Related Parties - continued

- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint control venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a past-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Depreciation of plant and equipment

The Group's management exercises its judgment 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 values of these assets, therefore future depreciation charges could be revised. The company depreciated plant and equipment in accordance with the accounting policies stated in Note 4.

Income Taxes

The Group's controlled entity in China is subject to income taxes in the PRC. The Group 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.

4. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Group is not subject to any externally imposed capital requirements. No charges were made in the objectives, policies or processes for managing capital during the financial period from 29 October 2014 to 31 March 2016.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

5. CASH AND CASH EQUIVALENTS

	The Company 2016 \$	The Group 2016 \$
Cash and cash at bank	1	1,357
	<u>1</u>	<u>1,357</u>

Cash and cash equivalents are denominated in the following currencies:

	The Company 2016 \$	The Group 2016 \$
Australian Dollar	1	1
Chinese Renminbi	-	104
Hong Kong Dollar	-	1,252
	<u>1</u>	<u>1,357</u>

6. PLANT AND EQUIPMENT

The Group	Office Equipment \$	Furniture and Fittings \$	Total \$
COST:			
As at 29.10.2014 (date of incorporation)	-	-	-
Additions	426,216	94,593	520,809
Exchange realignment	(14,466)	(3,210)	(17,676)
As at 31.03.2016	<u>411,750</u>	<u>91,383</u>	<u>503,133</u>
As at 29.10.2014 (date of incorporation)	-	-	-
Depreciation for the period	404,905	89,864	494,769
Exchange realignment	(13,742)	(3,050)	(16,792)
As at 31.03.2016	<u>391,163</u>	<u>86,814</u>	<u>477,977</u>
NET BOOK VALUE:			
As at 31.03.2016	<u>20,587</u>	<u>4,569</u>	<u>25,156</u>

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

7. INTANGIBLE ASSETS

The Group

	Computer software \$	Total \$
COST:		
As at 29.10.2014 (date of incorporation)	-	-
Additions	450,466	450,466
Exchange realignment	(15,288)	(15,288)
As at 31.03.2016	<u>435,178</u>	<u>435,178</u>
AMORTISATION CHARGE		
As at 29.10.2014 (date of incorporation)	-	-
Amortisation charge	341,349	341,349
Exchange realignment	(11,585)	(11,585)
As at 31.03.2016	<u>329,764</u>	<u>329,746</u>
NET BOOK VALUE		
As at 31.03.2016	<u>105,414</u>	<u>105,414</u>

8. OTHER RECEIVABLES

	The Company 2016 \$	The Group 2016 \$
Other receivables	-	11,407,227
	<u>-</u>	<u>11,407,227</u>

Other receivables is non-interest bearing with term of 18 months and denominated in the Chinese Renminbi.

9. AMOUNTS DUE FROM CONTROLLED ENTITY

Amounts due from controlled entity is non-interest bearing with term of 18 months and denominated in the Chinese Renminbi.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Company/Group-As at 31 March 2016

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost \$	Fair value \$
NSX Limited	Australia	1	16.04%	8,317,773	4,047,273

The fair value decrease on the investment of \$4,270,500 was recorded in the statement of profit or loss.

In accordance with IFRS 7: Financial Instruments: Disclosures, financial instruments recognised at fair value are required to be analysed between those whose fair value is based on:

- a) Quoted prices in active markets for identical assets or liabilities (Level 1);
- b) Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- c) Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Valuation techniques

The fair value of financial instruments traded in active market (such as publicly traded securities) is based on quoted market prices at the reporting date.

11. GOODWILL

As part of the restructuring exercise the Company entered into a Sale and Purchase Agreement, under which the Company acquired all of the issued capital of KSTV (Hong Kong) Limited ("KSTV") on 21 November 2014. KSTV became a wholly-owned subsidiary of SHKL Group Limited.

	At acquisition date
	\$
Consideration	5,200
Net assets at fair value in KSTV at acquisition date	(1,490)
Goodwill	3,710

Net cash flows from the acquisition of the KSTV (Hong Kong) Limited (KSTV):

	\$
The total consideration of investment in KSTV	5,200
The cash and cash at bank from acquisition of KSTV	(1,490)
	3,710

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

12. INVESTMENT IN SUBSIDIARIES

The consolidated financial statements include the financial statements of SHKL Group Limited and its controlled entities listed in the following table.

Name of entity	Country of incorporation/ principal place of business	Cost of investment 2016 \$	Percentage of equity held 2016	Principal activities
<i>Held by the Company</i>				
(1) KSTV (Hong Kong) Limited ("KSTV")	Hong Kong	5,200	100%	Investment holding
(2) Shanghai Kunlun Cultural Media Co., Limited ("SKCM")	China	-	100%	Production and distribution of culture media product
		<u>5,200</u>		

Note: All subsidiaries of the Company are audited J. K. Tan & Co by for consolidation purposes. No individual auditor's report for those subsidiaries is issued.

13. OTHER PAYABLES

	The Company 2016 \$	The Group 2016 \$
Other payables	-	1,587,095

Other payables are non-trade in nature, unsecured, interest-free and repayable on demand and denominated in Chinese Renminbi.

14. AMOUNT DUE TO DIRECTORS

The amount due to directors is non-trade in nature, unsecured, interest-free and repayable as and when the Company has resources to do so. Amount is denominated in Chinese Renminbi.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

15. SHARE CAPITAL

Date		Number Issued \$	Issue Price \$	Total Share Price \$
October 2014	Issued and paid up capital	1	1	1
Nov 2014	Issued to vendors as consideration for the acquisition of the subsidiaries	99,999,999	0.000052	5,200
June 2015	Issued under the Company prospectus	10,000,000	2	20,000,000
	Capital raising fee*	-	-	(275,000)
		110,000,000	-	19,730,201

* The capital raising fee is expenses paid to legal, accounting and other professional adviser for issuing shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder or its proxy, attorney or representative has one vote on a show of hands.

16. REVENUE

The Group
From 29.10.2014
to 31.03.2016

Sales of goods

523,987

17. LOSS BEFORE INCOME TAX

The Group
From
29.10.2014 to
31.03.2016
\$

Loss before tax has been arrived at after charging:

Amortisation of intangible assets	341,349
Depreciation expense	494,769
Employee benefit expense (note 19)	39,539
Write off bad debt	1,038,028

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

18. EMPLOYEE BENEFITS EXPENSE

	The Group From 29.10.2014 to 31.03.2016 \$
Employee benefit expense (including key management personnel)	
- Salaries	39,539

19. INCOME TAX EXPENSE

	The Group From 29.10.2014 to 31.03.2016 \$
Current tax for the financial period	-

Provision for enterprise income tax of the subsidiaries operating in the PRC is made in accordance with the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

Taxation has been provided at the appropriate tax rates prevailing in Singapore, Hong Kong and the PRC in which the Group operates on the estimated assessable profits for the financial period. These rates generally range from 16.50% to 25% for the reporting period.

The reconciliation of income tax expense applicable to the loss before income tax at the statutory income tax rates to the income tax expense for the reporting period is as follows

	The Group From 29.10.2014 to 31.03.2016 \$
Loss before income tax	(4,877,806)
Tax at applicable tax rates	(1,219,452)
Tax effect of non-taxable revenue	-
Tax effect of non-deductible expenses	1,036,194
Others-unabsorbed loss	183,258
Tax for the financial period	-

No deferred tax has been provided, as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the reporting date.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

20. LOSS PER SHARE

The Group

The loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares on issue of shares during the financial period.

The following table reflects the profit or loss and share data used in the computation of basic and diluted loss per share from continuing operations for the financial period ended 31 March 2016:

	The Group 2016 \$
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	
Effect of dilutive potential ordinary shares:	
Share options	-
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>100,000,001</u>
Loss figures are calculated as follows:	

	The Group 2016 \$
Loss for the purpose of calculating basic and diluted loss per share	<u>(4,877,806)</u>

21. DIVIDENDS

During the current financial period, no dividend was proposed declared or paid.

22. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to AUD equivalent) for the translation of foreign currency balances at the statement of financial position date are as follows:

	The Group 2016 \$
Chinese Renminbi	0.2021
Hong Kong Dollar	<u>0.1681</u>

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

23. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and reporting decisions. Parties are also considered to be related if they are subject to common control.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the company and related parties took place at term agreed between the parties during the financial period:-

Compensation of key management personnel

Key management personnel of the company are those person having the authority and responsibility for planning, directing and controlling the activities of the company.

	The Group 2016 \$
Director remuneration (Note 26)	26,359
Amount due to a directors	<u>1,813,936</u>

24. SEGMENT REPORTING

The Group is principally engaged in the production and distribution of culture media product including software programs, television audio and video products in mainland China. All of the Group's business is of a similar nature and subject to similar risks and returns. For management purposes, the Group operates in one business unit based on its services and products, and has one reportable segment.

Since all of the Group's revenue was generated in Mainland China, no geographical information is presented in accordance with IFR8-Operating Segments.

The group only has two sale transactions with total amount of AUD 523,987 from 1 customer in China since the date of incorporation.

25. FAIR VALUES AND FAIR VALUES HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, other receivables, other payables and amount due from/to controlled entity/directors approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

26. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

KMP Remuneration

The total remuneration paid to KMP of the Company and the Group during the year is as follows:

	The Group 2016 \$
Short-term employee benefits:	
- Salaries and bonus	26,369

KMP Shareholdings

The number of ordinary shares in SHKL Group Limited held by each KMP of the Group during the financial period is as follows:

The Group	Balance at date of incorporation	Disposed during the period	Acquired during the period	Balance at end of period
ZHANG Yeping	166,660	-	-	166,660
ZHOU Xinghang	22,934,998	-	-	22,934,998
SHEN Weiguo	22,934,998	-	-	22,934,998
ZHU Min	10,080,000	-	-	10,080,000
WU Jiping	279,000	-	-	279,000
QIAO Xinmin	333,330	-	-	333,330

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and the Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from cash and cash equivalents and other receivables. For other receivables, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Cash and cash equivalents are held with reputable financial institutions.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management.

Exposure to credit risk

The maximum exposure to credit risk for each class of the Company's and the Group's financial instruments are as following:

	The Company 2016 \$	The Group 2016 \$
Cash and cash equivalents	1	1,357
Other receivables	-	11,407,227
Amount due from controlled entity	11,407,227	-
	<u>11,407,228</u>	<u>11,408,584</u>

Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group manage liquidity risk by monitoring forecast cash flows. As at the financial period end the Group has cash and cash equivalent of \$1,357.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Liquidity risk - Cont'd

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

The Group	Less than 1 year 2016 \$	Between 2-5 years 2016 \$	Over 5 years 2016 \$	Total 2016 \$
Other payables	1,587,095	-	-	1,587,095
Amount due to directors	-	1,813,936	-	1,813,936
	<u>1,587,095</u>	<u>1,813,936</u>	<u>-</u>	<u>3,401,031</u>

The Company	Less than 1 year 2016 \$	Between 2-5 years 2016 \$	Over 5 years 2016 \$	Total 2016 \$
Other payables	-	-	-	-
Amount due to directors	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and Company are not exposed to any interest rate risk as there are no interest-bearing financial instruments.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is not exposed to any significant foreign currency risk because the main operation for the Group is in China which is not exposed any significant foreign currency risk.

Market price risk

Given that the Group does not have any available-for-sale financial assets, the Group is not exposed to any significant market price risk.

28. CONTINGENCIES AND COMMITMENTS

The Company and Group had neither contingent liabilities/assets nor any financial commitments as at 31 March 2016.

SHKL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
29 OCTOBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

29. COMPARATIVE FIGURES

This is the first reporting period for SHKL Group Limited as a consolidated entity. Consequently, no comparative information has been disclosed.

30. EVENTS AFTER THE REPORTING PERIOD

On April 2016 The Company completed the purchase of Conditional 560,000 shares in the issued and paid up share capital of NSX Limited. On completion of the purchased of the Conditional shares, The Company now own 24,285,000 shares in, and representing 16.419% of the issued and paid up share capital of NSX Limited.