

SHKL GROUP LIMITED
(ARBN 603010868)
(Incorporated in British Virgin Islands)

INTERIM FINANCIAL REPORT

for the six months ended

30 September 2015

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SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY
(ARBN 603010868)
STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying interim consolidated statement of financial position, the related interim consolidated statement of comprehensive income, consolidated statement of changes in equity together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 September 2015 and of the results of the business, changes in equity for the period six months ended 30 September 2015 and as 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 Weiguo
Executive director

Dated: 7 December 2015

REVIEW REPORT TO THE MEMBERS OF SHKL HOLDINGS LIMITED

Introduction

We have reviewed the accompanying interim consolidated statement of financial position as at 30 September 2015 and the interim consolidated statements of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and selected explanatory notes and a summary of significant accounting policies ("Financial Information") of **SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY (the Group)**. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements does not present fairly, in all material respects, the financial position of the Group as at 30 September 2015, and of the Group's financial performance and its cash flows for the six months ended 30 September 2015 in accordance with the International Financial Reporting Standards.



J. K. TAN & CO
Chartered Accountants
Malaysia, 7 December 2015

SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

(ARBN 603010868)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Notes	30.09.2014 A\$
ASSETS		
Non-Current Assets		
Goodwill		3,710
Intangible asset		140,615
Deferred tax		216,692
Plant and equipment		28,055
Loan to related party		19,725,000
		<u>20,114,072</u>
Current Assets		
Cash and bank balance		1,496
		<u>1,496</u>
Total Assets		<u>20,115,568</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	7	19,730,201
Reserves		3,854,000
Translation reserves		688,300
Retained earnings		(8,153,328)
		<u>16,119,173</u>
Current Liabilities		
Trade and other payables		1,760,050
Non-Current Liabilities		
Amount due to directors		2,236,345
Total Liabilities		<u>4,000,000</u>
Total Equity and Liabilities		<u>20,115,568</u>

The accounting policies and explanatory notes form an integral part of the financial statements.

SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Notes	Period ended 30 September 2015 A\$
Revenue		-
Other items of income		-
Items of expense		
Marketing expenses		-
Administrative expenses		(41,829)
Other operating expenses		(1,078,042)
Loss before taxation		(1,119,871)
Taxation		-
Loss after taxation		(1,119,871)
Other comprehensive income		-
Total comprehensive loss for the period		<u>(1,119,871)</u>

The accounting policies and explanatory notes form an integral part of the financial statements.

SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Share capital A\$	Accumulated loss A\$	Other reserve A\$	Translation reserve A\$	Total equity A\$
Balance as at 01.04.2015	5,201	(7,033,457)	3,854,000	845,433	(2,328,823)
Issue of share	20,000,000	-	-	-	20,000,000
Share issue expense	(275,000)	-	-	-	(275,000)
Total comprehensive loss for the period	-	(1,119,871)	-	(157,133)	(1,277,004)
Balance as at 30.09.2015	19,730,201	(8,153,328)	3,854,000	688,300	16,119,173

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHKL HOLDINGS LIMITED AND ITS SUBSIDIARY AND CONTROLLED ENTITY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2015

	Period ended 30 September 2015 A\$
CASH FLOWS FORM OPERATING ACTIVITIES	
(Loss) before taxation	(1,119,871)
Adjustments for:-	
Amortisation of Intangible assets	16,540
Depreciation of plant and equipment	3,688
Provision for bad debts	1,074,025
Unrealised exchange loss	(166,841)
Operating loss before working capital changes	(192,459)
Trade and other receivables	-
Loan to related party	(19,725,000)
Trade and other payables	78,609
Net cash flows (used in) operating activities	(19,838,850)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issued share	20,000,000
Amount due to directors	113,357
Share issue cost	(275,000)
Net cash flows from financing activities	19,838,357
Net (decrease) in cash and bank balance	(493)
Cash and cash balance at the beginning of the period	1,959
Effects of exchange rate on cash and cash equivalents	30
Cash and bank balance at end of the period	1,496

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHKL HOLDINGS LIMITED AND ITS SUBSIDIARY AND CONTROLLED ENTITY

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NOTES TO FINANCIAL STATEMENTS

INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. NATURE OF OPERATIONS

The interim financial report of SHKL Group Limited ("SHKL" or "the Company") and its controlled entity ("the Group") for the period ended 30 September 2015 was authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The principal activities of the Company and the Group is to sales of a range of ultra large touch screens and related software.

2. GENERAL INFORMATION AND BASIS OF PREPARATION

The interim consolidated financial statements are for the six months ended 30 September 2015 and are presented in Australian Dollars which is the Company's functional currency. They have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the Prospectus for more information.

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 USD4,500 (or equivalent to approximately HKD35,000) to be satisfied in full by the issue of 99,999,999 Shares credited as being fully paid.

(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.

SHKL HOLDINGS LIMITED AND ITS SUBSIDIARY AND CONTROLLED ENTITY

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NOTES TO FINANCIAL STATEMENTS

INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

2. GENERAL INFORMATION AND BASIS OF PREPARATION-CONTINUED

(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 HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

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NOTES TO FINANCIAL STATEMENTS

INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are carried at their cost of acquisition, less provision for impairment, in the Company's financial statements.

(ii) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of specific borrowing or lending transactions. The financial statements of special purpose entities are included in the consolidated entity's financial statements where the substance of the relationship is that the consolidated entity controls the special purpose entity.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company adopted accounting policies which 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.

Standards issued but not yet effective

Annual improvements 2010-2012 Cycle	Amendments to a number of IFRs
Annual improvements 2011-2013 Cycle	Amendments to a number of IFRs
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The adoption of these new standards and amendments apply for the first time in 2015, where relevant to the Group, did not result in substantial changes to the Group's accounting policies or any significant impact on the Group's financial statements.

SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

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NOTES TO FINANCIAL STATEMENTS**INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

5. CONTROLLED ENTITIES

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

<u>Name of entity</u>	<u>Country of incorporation</u>	<u>Ownership interest at 30 September 2015</u>
Controlling entity		
SHKL Holdings Limited	BVI	
Controlled entities		
(1)KSTV (Hong Kong) Limited ("KSTV")	Hong Kong	100%
(2)Shanghai Kunlun Cultural Media Co., Limited ("SKCM")	China	-

- (1) The Company entered into an agreement dated 24 November 2014 to acquire all of the issued capital of KSTV (Hong Kong) Limited ("KSTV"). KSTV became a wholly-owned subsidiary of SHKL Holdings Limited.
- (2) Although the Company does not hold any ownership interests in SKCM, it has effective control, including all commercial interests in SKCM and receives substantially all of the benefits related to the SKCM. Consequently, the Company consolidates this entity.

6. SEGMENT REPORTING

The principal activities of the Company and the Group is to sales of a range of ultra large touch screens and related software. 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 segments.

Since all of the Group's revenue was generated in Mainland China, no geographical information is presented in accordance with IFRS 8-Operating Segments.

The Company has not carried on business during the six month ended 30 September 2015.

SHKL HOLDINGS LIMITED AND ITS CONTROLLED ENTITY

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NOTES TO FINANCIAL STATEMENTS

INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

7. ISSUED CAPITAL

	30 September 2015 A\$	31 March 2015 A\$
<u>Ordinary share</u>		
Issued and fully paid	20,005,201	5,201
Share issue cost	(275,000)	-
	<u>19,730,201</u>	<u>5,201</u>
	Number Issued	Total Share Price
<u>Movements in ordinary shares on issue</u>		
1 April 2015	100,000,000	5,201
Share issued	10,000,000	20,000,000
Share issue cost		(275,000)
30 September 2015	<u>110,000,000</u>	<u>19,730,201</u>

8. LOSS PER SHARE

The calculations of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	From 1 April 2015 to 30 September 2015 A\$
Loss	
Net loss attributable to owners of the Company	(1,119,871)
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	102,688,172
Effect of dilutive potential ordinary shares in respect of share options	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>102,688,172</u>

9. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

The Company did not conduct any transactions with related parties nor related companies except as disclosed elsewhere in the notes to the financial statements.

10. DIVIDEND

There were no dividends paid during the six months to 30 September 2015.

11. FAIR VALUES AND FAIR VALUES HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and other payables, amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

12. CONTINGENT LIABILITIES

There were no contingent liabilities at the date of this report to affect the interim financial statements.

13. COMPARATIVES

There are no comparative figures as this is the first set of financial statements since 29.10.2014 (Date of Incorporation).

14. EVENTS AFTER THE REPORTING DATE

There have been no material events subsequent to 30 September 2015 which would require disclosure in this report.