



# Annual Report

For the Financial Year Ended 31 December 2015

**CHINA INTEGRATED MEDIA  
CORPORATION LIMITED**

( ACN 132 653 948 )

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## Directors' Report

The Directors present their report together with the financial statements on the consolidated entity (referred to hereinafter as the “Group”) consisting of China Integrated Media Corporation Limited (referred to hereinafter “CIMC” or the “Company”) and the entities it controlled for the year ended 31 December 2015.

### Directors

The Directors of the Company in office at any time during the year ended 31 December 2015, and up to the date of this report are:

<u>Director</u>	<u>Position</u>
Dr. Herbert Ying Chiu LEE	Executive Chairman
Dr. Man-Chung CHAN	Non-executive
Mike Chi-Wen HSIEH	Non-executive (Retired on 29 May 2015)

### Information on Directors

#### **Dr. Herbert Ying Chiu LEE**

Dr. Herbert Ying Chiu LEE (“Dr. Lee”), aged 63, is a seasoned businessman and entrepreneur with significant experience in the Hong Kong and Chinese digital advertising market. Over the past 15 years, Dr. Lee has extensive working experience in technology management and 3D autostereoscopy. During these years, he has also invested in many technology startups and incubated them into successful companies. Dr. Lee’s expertise is in knowledge management systems and 3D autostereoscopy.

Dr. Lee received his Bachelor of Applied Science in structural engineering in 1977 from the University of British Columbia, B. C., Canada. He obtained his training in structural design in Hong Kong after his graduation. In 1982, he became a corporate member of the Institute of Structural Engineer (MIStructE.) and subsequently he obtained his Chartered Engineer title from the Engineering Council of the United Kingdom. In 2004, Dr. Lee finished his Master of Technology Management degree at the Hong Kong University of Science and Technology. His major study is technology management. After that he joined Hong Kong Polytechnic University as an engineering doctoral student conducting research in knowledge management discipline. His major research is organizing information through his newly developed semantic search engine. In 2011, Dr. Lee had been conferred the degree of Doctor of Engineering. In 2014, he had been appointed as professor for City College of Vocational Technology in Wuxi China. In the same year, Dr. Lee was elected by the Council of the Association to be the Senior Fellowship of Asia College of Knowledge Management.

In 2015, Dr. Lee was awarded Asian Social Caring Leadership Award by Social Caring Organization in Hong Kong, and Enterprise Asia conferred the Asia Pacific Entrepreneurship Award to Dr. Lee for Marvel Digital Limited for its outstanding and exemplary achievement in entrepreneurship.

# Directors' Report

## Information on Directors (continued)

### **Dr. Man-Chung CHAN**

Dr. Man-Chung CHAN (“Dr. CHAN”), aged 57, graduated from the Chinese University of Hong Kong in 1980 in Philosophy and Government & Public Administration. He received his PhD in Computer Science from La Trobe University in Australia. From 1988 till 1994, he taught Computer Science at University of New South Wales. From 1994, he has worked with the Computing Department of the Hong Kong Polytechnic University.

Dr. CHAN was a computational logician and lately he worked in the broad field of knowledge management, artificial intelligence and intellectual property of computing. He founded the Institute of Systems Management in 2003. He has extensive working relationship with municipal government of Jiangsu, Hubei and Henan provinces in China.

### **Mike Chi-Wen HSIEH**

Mr. HSIEH, aged 36, is a director of Academic Connect Pty Ltd., an educational consulting firm responsible for developing and formulating operation strategies to bring new advancements to client's businesses.

Prior to joining Academic Connect, Mr. HSIEH was an account manager at John Morris Scientific Pty Ltd. which is a leading provider of medical research equipment. During this period, he managed a diverse account portfolio, including market analysis studies, product feasibility profiles and customer satisfaction measurement. From 2001 through 2008, Mr. HSIEH was employed at Relaxt Golf Inc. as the marketing director for Europe and Australia responsible for the direction of production, R&D focus and market surveys to meet the trend of the industry. Mr. HSIEH also held executive managerial position in Crown Limited, a company in the casino gaming business. Mr. HSIEH has over 10 years of experience in the marketing industries.

Mr. HSIEH graduated with a Bachelor of Medical Science from the Monash University. Currently, he is a PhD candidate at the University of Sydney affiliated with Heart Research Institute, pursuing medical research in the field of high blood pressure and neuroscience.

Mr. HSIEH retired from the Board in the Annual General Meeting on 29 May 2015.

## Directors' Report

### Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors and approvals by circular resolution) and numbers of meetings attended by each of the directors of the Company during the financial year.

Director	Board Meetings		Audit Committee		Nomination and Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr. Herbert Ying Chiu LEE	16	16	-	-	1	1
Dr. Man-Chung CHAN	16	16	1	1	1	1
Mike Chi-Wen HSIEH <sup>(1)</sup>	8	8	-	-	-	-

Note:

<sup>(1)</sup> Retired from the Board on 29 May 2015

### Contracts with Directors

The Company has not entered into any contract with a director or a related party of a director other than those disclosed under Note 29 and 31 to the consolidated financial statements of this 2015 Annual Report.

### Company Secretary

As at 31 December 2015, we have dual company secretaries. The company secretaries in office at any time during the year ended 31 December 2015 and up to the date of this report are as below:

<u>Company Secretary</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
Loui KOTSOPOULOS	1 December 2014	31 January 2016
George YATZIS	9 November 2015	-

Mr. KOTSOPOULOS has over 30 years' experience in Finance and Administration in the corporate sector of publicly listed companies. He holds a Bachelor of Business (Accounting) from Victoria University and he is also a member of Certified Practising Accountant (CPA) of Australia.

Mr. YATZIS has over 15 years' experience in Finance and Administration and has extensive experience as a company secretary of ASX listed companies. He holds a Bachelor of Commerce (Accounting) from the University of Adelaide and is also a member of the Institute of Chartered Accountants in Australia.

# Directors' Report

## PRINCIPAL ACTIVITIES

The Group's principal activities during the course of the financial year were (i) the development, sale and distribution of autostereoscopic 3D display, 3D conversion equipment and software, and provision of 3D consultancy services, and (ii) sale and distribution of audio products.

## OPERATING RESULTS

The consolidated profit of the Group for the financial year after providing for income tax amounted to \$2,356,122 (2014: loss of \$899,508).

## DIVIDENDS PAID OR PROPOSED

No amounts have been paid or declared by way of dividends by the Company. The Directors do not propose to recommend the payment of a dividend for the year ended 31 December 2015.

## REVIEW OF OPERATIONS

### General review

The Group's principal activities during the course of the financial year were (i) the development, sale and distribution of autostereoscopic 3D display, 3D conversion equipment and software, and provision of 3D consultancy services, and (ii) sale and distribution of audio products.

To strengthen the Group's product offering, in 2015 we started the audio division by acquiring 100% interest in Conco International Co., Ltd. in February 2015, a company principally engaged in the design, sales and distribution of audio products and in May 2015, we entered into a cooperation agreement to set up a joint venture to distribute and market branded "Syllable" headsets globally except for the markets in China, India and Pakistan. The Syllable branded headset products are successfully sold online in China. The audio product business complements our 3D display business to enable us to provide a total audio video solutions to our customers. For the year ended 31 December 2015, the Company had approximately \$1,560,000 of sales from the audio business unit.

On 30 September 2015, the Company acquired the entire equity interest in Marvel Digital Limited ("MDL"), a company owned and controlled by our Chairman, at a price equal to the net asset value, which is equivalent to \$5,216,213 and certain performance fees as set out in Note 22(b) of the consolidated financial statements. The consideration was paid by the issuance of the Company's shares at a price of \$0.20 each. MDL is a technology company that develops (i) a proprietary digital content management system for the display of 2D/3D video and text to networked screens over the internet, (ii) 2D to 3D conversion software and workstation, and (iii) autostereoscopic 3D display technology. MDL was incorporated in Hong Kong and it holds two wholly-owned subsidiary companies namely Visumotion International Limited and Marvel Digital Shenzhen Limited. After the completion of this acquisition, for the three months ended 31 December 2015, the Company had approximately \$4,750,000 of sales from MDL and its subsidiaries, and derived net profit after income tax of approximately \$2,990,000.

With the addition of MDL, the Group will focus on developing new technologies to deliver a dynamic digital advertising platform to our customers. We will continue to build our operations in Hong Kong and China with the specific focus on the growing advertising market in China.

# Directors' Report

## REVIEW OF OPERATIONS (CONTINUED)

There were no significant changes in the nature of the Group's principal activities during the year not otherwise disclosed in the report, other than that the Company has determined not to pursue the lottery gaming business by terminating the related contract. The Group will focus on the core business of the provision and sale of technology and digital advertising solutions and platforms.

### Financial review

The Group's main revenue activity during the financial year was the sale and distribution of autostereoscopic 3D display, 3D conversion equipment and software, sale and distribution of audio products and provision of 3D consultancy services. The Group's business in digital advertising in glasses-free 3D (autostereoscopic) has just finished the development stage and only contribute limited revenue to the Group during the year.

During the financial year, the Group has recorded revenue of \$7,306,699 (2014: \$597,626) and recorded profit for the year of \$2,356,122 (2014: loss of \$899,508).

Included in the recorded profit, the Group also recognised gain on disposal of its investment in marketable securities of \$507,694 (2014: unrealised fair value loss of \$551,787).

## FUTURE DEVELOPMENTS

The focus of the Group is to continue to develop its digital media / advertising in glasses-free 3D (autostereoscopic) platform. The acquisition of MDL, a technology company that develops a proprietary glasses-free 3D digital content management system, 2D to 3D conversion system and autostereoscopic 3D technology, has laid the foundation for providing core technologies to enable the Company to expand its business scope in digital media and advertising.

MDL is a technology company focusing on the research and development on digital media technology, specializing in glasses-free 3D technology. Currently MDL is one of the leading companies in glasses-free 3D technology. MDL's main business focus in the coming years is to continue to develop state-of-the-art digital media related products and solutions using our core technologies for both the consumer and industrial markets. Our go to market strategy is to sell to product marketing companies or joint venture with them, our developed products and or solutions. This will keep our sales and marketing team costs to a minimum and allow the Company to focus on its core business which is on product and solution development. In the future when the Group has acquired sufficient capital, it may build its own product sales and marketing team. In the meantime, MDL will continue to build its reputation in the market as a leader in technology solution provider. The Company expects MDL's core technologies in glasses free 3D technology will transform the Company to be a leader in 3D display technology and 3D solution provider.

In the coming years, MDL will focus its development in the following area:

- 1) We are working as an advisor to Guangzhou Marvel Digital Technology Ltd., a related party, on the development of the China National 3D Standard for the Chinese Government. We expect to enter into a consultancy agreement in the coming months.
- 2) We will continue to develop the glasses-free 3D advertising networks in China through distributors and joint venture partners.
- 3) We are completing the development of glasses-free 3D mobile devices such as 3D mobile phones and tablets. We plan to sell these products and solutions to distributors and joint venture partners in 2016.

## Directors' Report

### FUTURE DEVELOPMENTS (CONTINUED)

- 4) We have completed and started selling our state-of-the-art 2D/3D and 2K/4K super-workstation in 2015. We are now developing an advanced version of our super-workstation so that both the image quality and processing speed can be further enhanced/increased.
- 5) We have started the development of an ASIC chip with 3D functions to provide a very cost effective solution to all our 3D products. We plan to build a dedicated ASIC design team in the near future to expand our R&D capability, including the design of the future chip set for incorporating the China National 3D Standard functions, which will have a major impact in the television industry in China.
- 6) We have established a R&D team to develop virtual reality (VR) technology to meet the growing demand in VR products.

We expect to continue our growth in revenue in the near future upon execution of the above business plans. When the ASIC project is completed, it will bring us into a new business dimension beside the 3D domain.

The future business plans depends on adequate capital being available to the Group. We will be reviewing potential acquisitions that are able to add value to the Group. The future development is dependent on the ability to have sufficient resources in funding, technology and human capital to execute our business plans. Management will also seek synergistic acquisitions to build revenue and bring in resources to complement and to supplement our internal capabilities to become a leader in glasses-free 3D technologies, products and services.

### CHANGES IN THE STATE OF AFFAIRS

During the year, the following changes occurred within the Company:

Acquisition of subsidiaries:

- On 9 February 2015, the Company acquired all of the issued shares of Conco International Co., Ltd. ("CICL"), a company principally engaged in the design, sales and distribution of audio products. The consideration paid was \$61,591 which was the amount of the net asset value of CICL. The consideration was settled by the Company issuing 307,954 shares at \$0.20 per share. In addition, the Company will pay performance shares to be issued to the vendor contingent on CICL achieving an agreed level of profit performance. Details of the terms and conditions of the acquisition and performance shares are set out in Note 22(a) of the consolidated financial statements.
- On 30 September 2015, the Company acquired all of the issued shares of MDL, a technology company principally engaged in the development of autostereoscopic 3D display technology, 2D to 3D conversion software and digital content management system. The consideration paid was \$5,216,213 which was the amount of the net asset value of MDL. The consideration was settled by the Company issuing 26,081,065 shares at \$0.20 per share. In addition, the Company will pay a deferred performance fee calculated at five times of the average annualized consolidated profits of MDL for the two years' period from the completion date less the initial purchase consideration. Details of the terms and conditions of the acquisition and the performance fee are set out in Note 22(b) of the consolidated financial statements.

### SUBSEQUENT EVENTS

No matters or circumstances, besides those disclosed in Note 34 of the consolidated financial statements, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



# Directors' Report

## REVIEW OF FINANCIAL POSITION

The net equity of the Group has significantly increased from \$3,305,937 at 31 December 2014 to \$11,086,012 at 31 December 2015. This increase was mainly resulted from the acquisition of MDL which increased our net asset value of the Group by \$5,216,213 and the Group's profitability of \$2,356,122 during the year. Details of the MDL acquisition can be referred to Note 22(b) of the consolidated financial statements.

## ENVIRONMENTAL REGULATIONS

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

## SHARES UNDER OPTION

The Company has no share options outstanding during or at the end of the financial year.

## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its Regulations. This information has been audited as required by section 308(3c) of the Act. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' refers to the Chief Executive Officer. Therefore the Key Management Personnel are Dr. Herbert Ying Chiu LEE (Executive Chairman) and Dr. Man-Chung CHAN (Non-executive Director).

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of each of CIMC's directors for the year ended 31 December 2015. The Group's policy for determining the nature and amount of remunerations of Board members of the Group is set out below.

The Directors review the remuneration package of all directors on an ongoing basis. Remuneration packages are reviewed with due regard to performance and other relevant factors. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and to provide common interests between management and shareholders.

Remuneration packages contain the following key elements:

- Salaries or directors' fees;
- Sales staff's commissions;
- Bonus payments relating to performance;
- Benefits including provision of superannuation; and
- Options once available.

# Directors' Report

## REMUNERATION REPORT (AUDITED) (CONTINUED)

All staff members are employed on standard employment contracts with normal notice and termination provisions of not more than 6 months.

The remunerations of the Directors of the parent entity receiving the highest remunerations for the parent and Group are as follows:

	Short-Term Employee Benefits		Post Employment	Equity	Percentage of Remuneration as Options	
	Salary/ Fees \$	Cash Bonus \$	Super/ MPF \$	Options \$	Total \$	%
Directors						
Dr. Herbert Ying Chiu LEE						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Dr. Man-Chung CHAN						
2015	25,473	-	1,309	-	26,782	-
2014	-	-	-	-	-	-
Mike Chi-Wen HSIEH <sup>(1)</sup>						
2015	4,935	-	739	-	5,674	-
2014	2,839	-	-	-	2,839	-
Total, all specified Directors						
2015	30,408	-	2,048	-	32,456	-
2014	2,839	-	-	-	2,839	-

Note:

<sup>(1)</sup> Retired from the Board on 29 May 2015

There were no share options issued to any of the Directors or executives during the year.

Shares – number of shares held by management

Personnel	1 January 2015	Additions	31 December 2015
Dr. Herbert Ying Chiu LEE <sup>(1)</sup>	18,706,266	26,081,065	44,787,331
Dr. Man-Chung CHAN	-	-	-
Mike Chi-Wen HSIEH <sup>(2)</sup>	-	-	-

NOTE:

(1) As at 31 December 2015, Dr. Herbert Ying Chiu LEE, directly held no shares (2014: 8,336,266 shares) and indirectly held 44,787,331 shares in the Company through his wholly owned company Marvel Finance Limited (2014: 10,370,000 shares held by Marvel Digital Limited). The additions represent the issue of shares by the Company to Marvel Finance Limited for acquisition of Marvel Digital Limited on 30 September 2015.

(2) Retired from the Board on 29 May 2015.

## End of Audited Remuneration Report

## Directors' Report

### DIRECTORS' SUPERANNUATION AND RETIREMENT BENEFITS

There were no amounts paid or payable by the parent entity or a related party to Directors or to any prescribed benefit superannuation fund in respect of the retirement of any Director.

### SHARE TRANSACTIONS OF DIRECTORS

The interests of the Directors in the securities of CIMC, whether held directly, indirectly, beneficially or non-beneficially are set out on page 8 of the Annual Report.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of \$5,718 in respect of a Directors and Officers Insurance Policy. This policy provides insurance cover in certain circumstances for matters that may give rise to potential liability of directors and officers and includes the cost of defending such action, except where the liability arises out of:

- Any conduct or contravention in respect of which a liability is the subject of a prohibition in section 199B(1) of the Corporations Act 2001; or
- The committing of any deliberately dishonest or deliberately fraudulent act.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In summary the Deed provides for:

- Access to corporate records for each Director for a period after ceasing to hold office in the Company;
- The provision of Directors and Officers Liability Insurance; and
- Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

Except for the above the Company has not otherwise, during or since the year end, except to the amount permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### PROCEEDINGS ON BEHALF OF THE COMPANY

The Group is not involved in any legal proceedings at this time and no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### NON-AUDIT SERVICES

The Group did not engage the auditor for non-audit services provided during the financial year.

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 59 of the financial report.

Signed in accordance with a resolution of the Directors.

*/S/ Herbert Ying Chiu LEE*

Dr. Herbert Ying Chiu LEE  
Chairman

Hong Kong, 16 February 2016

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2015

		<b>Group</b>	
	Notes	2015 \$	2014 \$
<b>REVENUE</b>			
Revenue from operating activities	4	6,379,036	594,886
Interest income		389	2,740
		<u>6,379,425</u>	<u>597,626</u>
Gain on disposal of financial assets at fair value through profit or loss	5	507,694	-
Other income	6	419,580	-
		<u>7,306,699</u>	<u>597,626</u>
<b>EXPENSES</b>			
Cost of revenue		(2,984,291)	(263,805)
Employee benefit expenses		(981,621)	(197,599)
Depreciation and amortisation expenses		(383,635)	(124,335)
Professional and consulting expenses		(391,444)	(163,130)
Loss on financial assets at fair value through profit or loss		-	(551,787)
Travel and accommodation expenses		(59,499)	(29,139)
Other expenses		(506,245)	(167,339)
Total expenses		<u>(5,306,735)</u>	<u>(1,497,134)</u>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>	7	1,999,964	(899,508)
Income tax credit	8	356,158	-
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<u>2,356,122</u>	<u>(899,508)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be re-classified subsequently to profit or loss:			
Foreign currency translation		146,149	368,007
Other comprehensive income for the year, net of tax		146,149	368,007
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>2,502,271</u>	<u>(531,501)</u>
Profit / (Loss) for the year attributable to:			
Owners of the Company		2,378,276	(899,508)
Non-controlling interests		(22,154)	-
		<u>2,356,122</u>	<u>(899,508)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		2,524,409	(531,501)
Non-controlling interests		(22,138)	-
		<u>2,502,271</u>	<u>(531,501)</u>
<b>Earnings / (loss) per share</b>	10		
- Basic		0.04	(0.02)
- Diluted		0.04	(0.02)

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Financial Position

### As at 31 December 2015

		<b>Group</b>	
	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,883,196	2,227,715
Inventories	11	698,916	-
Trade and other receivables	12	992,524	222,427
Financial assets at fair value through profit or loss	13	-	614,133
Other assets	14	788,146	52,642
Total current assets		<u>9,362,782</u>	<u>3,116,917</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	15	1,672,702	275,436
Intangible assets and goodwill	16	25,545,094	-
Development projects	17	690,889	-
Total non-current assets		<u>27,908,685</u>	<u>275,436</u>
<b>TOTAL ASSETS</b>		<u>37,271,467</u>	<u>3,392,353</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other liabilities	18	477,618	83,326
Trade deposits received		337,739	-
Amount due to ultimate holding company	20	875,939	-
Provisions	19	29,230	3,090
Total current liabilities		<u>1,720,526</u>	<u>86,416</u>
<b>NON-CURRENT LIABILITY</b>			
Amount due to ultimate holding company	20	2,694,900	-
Deferred tax liabilities	8	933,853	-
Contingent payable liability	22	20,836,176	-
Total non-current liability		<u>24,464,929</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>26,185,455</u>	<u>86,416</u>
<b>NET ASSETS</b>		<u>11,086,012</u>	<u>3,305,937</u>
<b>EQUITY</b>			
Issued capital	23	10,410,279	5,132,475
Reserve	24	735,630	589,497
Accumulated losses	25	(37,759)	(2,416,035)
Equity attributable to owners of the Company		11,108,150	3,305,937
Non-controlling interest		(22,138)	-
<b>TOTAL EQUITY</b>		<u>11,086,012</u>	<u>3,305,937</u>

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity For the year ended 31 December 2015

	Issued Capital \$	Attributable to owners of the Company Accumulated Losses \$	Translation Reserve \$	Total \$	Non-controlling Interest \$	Total equity \$
Balance at 1 January 2015	5,132,475	(2,416,035)	589,497	3,305,937	-	3,305,937
Profit / (Loss) for the year	-	2,378,276	-	2,378,276	(22,154)	2,356,122
Other comprehensive income, net of tax	-	-	146,133	146,133	16	146,149
Total comprehensive income for the year	-	2,378,276	146,133	2,524,409	(22,138)	2,502,271
Issuance of shares (Note 23(b))	5,277,804	-	-	5,277,804	-	5,277,804
Balance at 31 December 2015	10,410,279	(37,759)	735,630	11,108,150	(22,138)	11,086,012

  

	Issued Capital \$	Attributable to owners of the Company Accumulated Losses \$	Translation Reserve \$	Total \$	Non-controlling Interest \$	Total equity \$
Balance at 1 January 2014	5,132,475	(1,516,527)	221,490	3,837,438	-	3,837,438
Loss for the year	-	(899,508)	-	(899,508)	-	(899,508)
Other comprehensive income, net of tax	-	-	368,007	368,007	-	368,007
Total comprehensive income for the year	-	(899,508)	368,007	(531,501)	-	(531,501)
Balance at 31 December 2014	5,132,475	(2,416,035)	589,497	3,305,937	-	3,305,937

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Cash Flows For the year ended 31 December 2015

		<b>Group</b>	
		2015	2014
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss)		1,999,964	(899,508)
Adjustments to reconcile net profit / (loss) to net cash generated from operating activities:			
Depreciation and amortisation		383,635	124,335
Unrealised loss on marketable securities		-	551,787
Gain on disposal of financial assets at fair value through profit or loss		(507,694)	-
Net cash inflows from changes in working capital	30	1,001,290	664,575
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>		<u>2,877,195</u>	<u>441,189</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of plant and equipment		52,341	158,925
Proceeds from disposal of financial assets at fair value through profit or loss		1,121,827	-
Net cash acquired from acquisition of subsidiaries		871,070	-
Acquisition of plant and equipment		(77,377)	(4,187)
Development expenditure		(235,268)	-
<b>NET CASH INFLOWS FROM INVESTING ACTIVITIES</b>		<u>1,732,593</u>	<u>154,738</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of advances to related parties		(90,464)	-
<b>NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>		<u>(90,464)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,519,324	595,927
Effect of exchange rate changes on cash and cash equivalents		136,157	209,031
Cash and cash equivalents at the beginning of financial year		2,227,715	1,422,757
<b>CASH AND CASH EQUIVALENT AT THE END OF FINANCIAL YEAR</b>		<u>6,883,196</u>	<u>2,227,715</u>

The accompanying notes form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 1. REPORTING ENTITY

The consolidated financial report covers the entity of China Integrated Media Corporation Limited ("CIMC") and its controlled entities for the year ended 31 December 2015 which were authorized for issue by the Board of Directors on 16 February 2016. CIMC is a public company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. CIMC is an investment holding company and its subsidiaries carry out the business of the Group in Australia, Hong Kong and China.

### 2. BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial report that have been prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRSs") as adopted by the International Accounting Standards Board.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

In accordance with the *Corporations Act 2001*, the consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

#### (a) Basis of Preparation

The consolidated financial statements have been prepared on the accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### (b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of CIMC and its subsidiaries as at 31 December 2015 ("the Group"). Subsidiaries are entities (including structured entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. A list of the controlled entities is disclosed in Note 21 to the consolidated financial statements. Other than Marvel Digital Limited and Visumotion International Limited, all other controlled entities have a 31 December financial year end.

All inter-company balances and transactions between entities within the Group, including any unrealised profits or losses, have been eliminated upon consolidation.

Where controlled entities have entered or left the Group during the year, the operating results have been included from the date control was obtained or until the date control ceased.



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Principles of Consolidation (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in other comprehensive income. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### (c) Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

#### (d) Income Tax

The charge for current income tax is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Income Tax (continued)

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are recognised directly in other comprehensive income or equity, respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be used.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (e) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a subsidiary exceeds the fair value attributed to the identifiable net assets at acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

#### (f) Intangible Assets

##### (i) Acquired both separately and from a business combination

Intangible assets acquired separately or in a business combination, are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets that is at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year end. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level.

##### (ii) Autostereoscopic 3D display technologies and knowhow

The autostereoscopic 3D display technologies and knowhow acquired in the business combination is measured at fair value as at the date of acquisition. These costs are amortised over the estimated useful life of 10 years and are tested for impairment where an indicator of impairment exists. The useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Intangible Assets (continued)

##### (iii) Research and development costs

An intangible asset arising from development expenditure on an internal technology project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset or technology so that it will be available for application in existing or new products or for sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development, the ability to measure reliably the expenditure attributable to the intangible asset during its development and the ability to use the tangible asset generated. For labour costs, all research and development member salaries that are directly attributable to the technology project are capitalised. Administrative staff and costs are recognised in the statement of comprehensive income instead of capitalizing this portion of costs. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses.

##### (iv) Intellectual property

Expenditure incurred on patents, trademarks or licenses are capitalised from the date of application. They have a definite useful life and are carried at cost less accumulated amortisation. They are amortised only after the patent has been issued, using the straight line method over the period of expected benefit but not exceeding 20 years.

##### (v) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2-3 years). Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

##### (vi) Amortisation

The technology and software applied to develop the 3D autostereoscopic technologies was included with the acquisition of Marvel Digital Limited on 30 September 2015 and was revalued to fair value at that time. Given the timing of this acquisition, the Directors have determined that amortisation will commence from 1 January 2016.

#### (g) Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, import duties and other taxes. Costs of purchased inventories are determined after deducting rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the entities in the Group are classified as finance leases.

Finance leases are capitalised by recording the assets and liabilities at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the assets or over the term of the lease.

Lease payments for operating lease, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis unless another method is more representative of the pattern to the users benefit.

Lease incentive under operating lease are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### (i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong.

#### (j) Investments and Other Financial Assets

##### i) Recognition

Financial instruments are initially measured at costs on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### ii) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designed by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorized as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are recognised in profit or loss in the period in which they arise.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Investments and Other Financial Assets (continued)

##### iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate methods.

##### iv) Financial liabilities

Non-derivative financial liabilities are recognised at amortised costs, comprising original debt less principal payments and amortisation.

##### v) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and options pricing models.

##### vi) Impairment

At each reporting date the Group assesses whether there is any objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

#### (k) Plant and Equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets are depreciated over their estimated useful lives to the Group commencing from the time the assets is held ready for use.

Depreciation is calculated on a straight-line basis to write the net cost of each item of plant and equipment over their expected useful lives. The depreciation rates used for each class of depreciable assets are generally as follows:

<u>Class of fixed assets</u>	<u>Depreciation rate</u>
Leasehold Improvements	5 years
Office Furniture and Equipment	3-5 years

Gains and losses on disposal are determined by deducting the net book value of the assets from the proceeds of sale and are booked to the statement of comprehensive income in the year of disposal.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Foreign Currency Translation

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Amount receivable and payable in foreign currencies at the end of the reporting period are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

##### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the end of the reporting period. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

#### (m) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

#### (n) Trade and Other Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 30 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

#### (p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (q) Borrowing Costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

#### (r) Employee Benefits

##### *Short-term employee benefit obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.



## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Employee Benefits (continued)

##### *Other long-term employee benefit obligations*

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

#### (s) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

#### (t) Revenue

Revenue comprises the fair value for the sale of goods and services, excluding goods and services tax, rebates and discounts. The Company recognises revenue when the amount of revenue can be reliably measured when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities.

##### *Sale of Goods*

Revenue from sale of 3D autostereoscopic displays, conversion equipment, software and related 3D products is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

##### *Sale of Services*

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as proportion of the total services to be provided.

##### *Consultancy Services*

Revenue from provision of consultancy services is recognised when the respective service is rendered.

##### *Interest Income*

Revenue is recognised as interest accrues using the effective interest method.



## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (u) Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”) or valued-added tax (“VAT”), except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or taxation authorities in other jurisdictions. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the assets or as part of an item of expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST or VAT.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

#### (v) Earnings Per Share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (w) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (x) Share Based Payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black & Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

#### (y) Fair Value

Fair values may be used for financial asset and liability measurement and for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

#### (z) New, Revised or Amending Accounting Standards and Interpretations

- (i) The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2015:

- Investment Entities – Amendments to AASB 10, AASB 12 and AASB 127

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under AASB 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualified to be an investment entity under AASB 10.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (z) New, Revised or Amending Accounting Standards and Interpretations (continued)

##### (i) The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2015 (continued):

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. This amendment has resulted in increased disclosures in the Group's consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 132

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendment have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

- Interpretation 21 Accounting for Levies

Interpretation 21 clarifies that an entity recognises a liability for a levy when the activity that triggers the payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for AASB Interpretation 21. This interpretation has no impact on the Group as it has applied the recognition principles under AASB 137 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of AASB Interpretation 21 in prior years.

- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption AASB 2014-1 has required additional disclosures in our segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

##### (ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily application to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out as below. The Group does not plan to adopt these standards early.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (z) New, Revised or Amending Accounting Standards and Interpretations (continued)

##### (ii) New standards and interpretations not yet adopted (continued)

- AASB 9 Financial Instruments and associated Amending Standards (applicable to annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrecoverable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at the stage to provide a reasonable estimate of such impact.

##### (iii) Other standards not yet applicable

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

The adoption AASB 2014-1 has required additional disclosures in our segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality'	1 July 2015

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (aa) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgment. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position. Refer to Note 12 for further details.

##### (ii) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to Note 3(f) and 3(k) for further details.

##### (iii) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax and in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, there are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (aa) Critical Accounting Judgments, Estimates and Assumptions (continued)

##### (iii) Income tax (continued)

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustments, resulting in a corresponding credit or charge to the statement of comprehensive income.

##### (iv) Capitalised technology development expenditure in intangibles

In determining which technology development expenditure may be capitalised the Group applies judgement to distinguish those costs which have a direct relationship to the criteria for capitalisation described in accounting policy Note 3(f), from those which should be expensed in the period incurred. This involves evaluating the nature of work performed by staff as well as universities, educational and professional institutions, third party consultants and contractors, and in many cases includes a judgemental apportionment of costs.

##### (v) Impairment of non-financial assets

The Group assesses impairment of all assets (including intangible assets) at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period. Refer to Note 3(i) for details regarding the method and assumptions used.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 4. REVENUE

An analysis of the Group's revenue for each major product and service category is as follows:

	<b>Group</b>	
	2015	2014
	\$	\$
Development, sales and distribution of 3D autostereoscopic products, conversion equipment and software	4,749,789	-
Sales and distribution of audio products	1,563,987	-
Provision of consultancy services	65,260	594,886
Interest income	389	2,740
	<u>6,379,425</u>	<u>597,626</u>

### 5. GAIN ON DISPOSAL OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The gain on disposal of financial assets for the year ended represented the sales of our investment in the ordinary shares of a company quoted on the OTC Market in the United States. As at 31 December 2015, the Group did not hold any financial assets at fair value through profit or loss.

### 6. OTHER INCOME

	<b>Group</b>	
	2015	2014
	\$	\$
Design services income	159,244	-
Sundry income	260,336	-
	<u>419,580</u>	<u>-</u>

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 7. PROFIT / (LOSS) BEFORE INCOME TAX

	<b>Group</b>	
	2015	2014
	\$	\$
Employee benefits expenses:		
- Wages and salaries	1,061,471	181,522
- Defined contribution superannuation plan expenses	20,641	13,238
- Less: Labour cost allocated to projects and development	(132,947)	-
- Non-executive directors' remuneration	32,456	2,839
Total employee benefit expenses	<u>981,621</u>	<u>197,599</u>
Depreciation and amortisation of non-current assets:		
- Office furniture and equipment	207,891	41,473
- Leasehold improvements	170,220	82,862
- Intangible assets	5,524	-
Total depreciation and amortisation	<u>383,635</u>	<u>124,335</u>
Loss on financial assets at fair value through profit or loss	-	551,787
Rental expense on operating lease	155,365	16,820
Auditor's remuneration for:		
- Audit and review of financial statements		
- auditor of the Group	29,499	33,260
- auditors of the subsidiaries	2,077	3,456
- auditor for other reporting purposes	42,092	-
Total auditors' remuneration	<u>73,668</u>	<u>36,716</u>



## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 8. INCOME TAX CREDIT

	<b>Group</b>	
	2015	2014
	\$	\$
Current tax expense	-	-
Deferred tax benefit	356,158	-
Over/under provision for prior years	-	-
Income tax credit	<u>356,158</u>	<u>-</u>

- (a) The prima-facie tax on profit / (loss) before income tax is reconciled to the income tax credit /(expenses) as follows:

	2015	2014
	\$	\$
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) before income tax	1,999,964	(899,508)
Income tax (expense) / credit on profit /(loss) before income tax at 30%	(599,989)	171,530
Difference in overseas tax rates	119,654	-
Add / (less) the tax effect of:		
Recognition of tax effect of previously unrecognised tax losses and temporary differences	1,059,090	-
Utilisation of tax losses during the year	594,049	-
Tax losses and temporary differences for the year for which no deferred tax is recognised	<u>(816,646)</u>	<u>(171,530)</u>
Income tax credit	<u>356,158</u>	<u>-</u>

- (b) Deferred tax assets / (liabilities) arising from temporary differences and unused tax losses can be summarised as follows:

	2015	2014
	\$	\$
Balance brought forward	-	-
Accelerated depreciation allowances	(427,634)	-
Temporary differences on acquired intangible assets	(1,290,011)	-
Future benefit of tax losses	783,792	-
Total	<u>(933,853)</u>	<u>-</u>

### 9. DIVIDENDS

No dividends were declared and paid during the financial year (2014: Nil).

### 10. EARNINGS / (LOSS) PER SHARE

	<b>Group</b>	
	2015	2014
	\$	\$
Profit / (loss) after income tax attributable to shareholders	2,378,276	(899,508)
Ordinary number of shares	79,301,852	52,912,833
Weighted average number of shares on issue	59,764,271	52,912,833
Basic and diluted earnings / (loss) per share	<u>0.04</u>	<u>(0.02)</u>

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 11. INVENTORIES

Inventories consist of the following:

	<b>Group</b>	
	2015	2014
	\$	\$
Raw materials	523,489	-
Finished goods – displays and other products	175,427	-
	<u>698,916</u>	<u>-</u>

### 12. TRADE AND OTHER RECEIVABLES

	<b>Group</b>	
	2015	2014
	\$	\$
Trade receivables	703,792	222,427
Other receivables	4,226	-
Amount due from a related company	284,506	-
	<u>992,524</u>	<u>222,427</u>
Less: Allowances for doubtful debts	-	-
	<u>992,524</u>	<u>222,427</u>

#### (a) Ageing Analysis

The ageing analysis of trade receivables is as follows:

	<b>Group</b>	
	2015	2014
	\$	\$
Current	<u>703,792</u>	<u>222,427</u>
Past due		
61 - 90 days	-	-
> 91 days	-	-
	<u>-</u>	<u>-</u>
Total	<u>703,792</u>	<u>222,427</u>

#### (b) Trade receivables which are past due but not impaired

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of Nil (2014: Nil) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

The carrying value of trade receivables is considered reasonable approximation of fair value to the short term nature of the balance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables in the consolidated financial statements. Refer to Note 28(f) for further details of credit risk management.

The amount due from the related company is unsecured, non-interest bearing and repayable on demand.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>Group</b>	
	Note	2015 \$	2014 \$
Ordinary shares - quoted on the OTC Market in the United States	28	<u>-</u>	<u>614,133</u>

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	<b>Group</b>	
	2015 \$	2014 \$
Opening fair value	614,133	1,098,618
Exchange gain	-	67,302
Disposal	(614,133)	-
Devaluation	<u>-</u>	<u>(551,787)</u>
	<u>-</u>	<u>614,133</u>

### 14. OTHER ASSETS

	<b>Group</b>	
	2015 \$	2014 \$
Prepayments	76,067	48,676
Deposits	707,809	1,470
GST receivable	<u>4,270</u>	<u>2,496</u>
	<u>788,146</u>	<u>52,642</u>

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 15. PLANT AND EQUIPMENT

Group	Leasehold Improvements \$	Office Furniture and Equipment \$	Total \$
At 1 January 2014			
Cost	429,935	138,898	568,833
Accumulated depreciation	(85,301)	(29,461)	(114,762)
Net book amount	344,634	109,437	454,071
Year ended 31 December 2014			
Opening net book amount	344,634	109,437	454,071
Additions	-	4,187	4,187
Disposals	(136,902)	(22,023)	(158,925)
Depreciation expense	(82,862)	(41,473)	(124,335)
Exchange difference	87,140	13,298	100,438
Closing net book amount	212,010	63,426	275,436
At 31 December 2014			
Cost	325,317	135,390	460,707
Accumulated depreciation	(113,307)	(71,964)	(185,271)
Net book amount	212,010	63,426	275,436
Year ended 31 December 2015			
Opening net book amount	212,010	63,426	275,436
Additions	-	77,377	77,377
Disposals	(52,327)	-	(52,327)
Acquisition through business combination	966,913	807,758	1,774,671
Reclassification	-	(29,457)	(29,457)
Depreciation expense	(170,220)	(207,891)	(378,111)
Exchange difference	10,320	(5,207)	5,113
Closing net book amount	966,696	706,006	1,672,702
At 31 December 2015			
Cost	1,431,503	1,820,788	3,252,291
Accumulated depreciation	(464,807)	(1,114,782)	(1,579,589)
Net book amount	966,696	706,006	1,672,702

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 16. INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill	Autostereo- scopic 3D Display Technologies and Knowhow	Patents and Trademark	Software and Licence	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 January 2015	-	-	-	-	-
Acquisitions through business combination	14,692,591	11,207,879	30,831	35,007	25,966,308
Reclassification	-	29,457	-	-	29,457
Additions	-	220,860	11,529	2,879	235,268
Exchange difference	(384,656)	(293,593)	(815)	(918)	(679,982)
At 31 December 2015	<u>14,307,935</u>	<u>11,164,603</u>	<u>41,545</u>	<u>36,968</u>	<u>25,551,051</u>
<b>Accumulated Amortisation and Impairment losses</b>					
At 1 January 2015	-	-	-	-	-
Amortisation	-	-	-	(5,524)	(5,524)
Exchange difference	-	-	-	(433)	(433)
At 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,957)</u>	<u>(5,957)</u>
<b>Carrying Amount</b>					
At 1 January 2015	-	-	-	-	-
At 31 December 2015	<u>14,307,935</u>	<u>11,164,603</u>	<u>41,545</u>	<u>31,011</u>	<u>25,545,094</u>

The technology and software applied to develop the autostereoscopic 3D display technologies was included with the acquisition of Marvel Digital Limited on 30 September 2015 and was revalued to fair value at that time by an independent valuer. Given the timing of this acquisition, the Directors have determined that amortisation will commence from 1 January 2016.

### 17. DEVELOPMENT PROJECTS

Development projects represent the development costs directly attributable to and incurred for several internal technology projects of the Group which are in cooperation with the universities and professional technology institutions in Hong Kong for developing innovative technology to be applied in the existing and new 3D related products of the Group. Cost model is applied for development projects which require these assets to be carried at cost less any accumulated impairment losses.

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 18. TRADE AND OTHER LIABILITIES

	<b>Group</b>	
	2015	2014
	\$	\$
Trade payables	131,514	-
Accruals	87,401	22,956
Value added tax payables	253,673	-
Deferred revenue	-	41,336
Others	5,030	19,034
	<u>477,618</u>	<u>83,326</u>

#### 19. PROVISIONS

	<b>Group</b>	
	2015	2014
	\$	\$
Employee benefits	<u>29,230</u>	<u>3,090</u>

#### 20. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	<b>Group</b>	
	2015	2014
	\$	\$
Current portion	875,939	-
Non-current portion	2,694,900	-
	<u>3,570,839</u>	<u>-</u>

The amount due to the ultimate holding company – Marvel Finance Limited (“MFL”) was primarily from the acquisition of Marvel Digital Limited (“MDL”) in September 2015. The current portion of \$875,939 is unsecured, non-interest bearing and repayable on demand. The ultimate holding company agrees to provide financial support to the Group in the early stage for on-going technology development and operation after the acquisition of MDL. The amount due to MFL of HK\$15,000,000 (approximately \$2,694,900) is unsecured and carries interest at an annual interest rate of 2.5% over the one month Hong Kong Interbank Offer Rate (“HIBOR”) starting from 1 January 2016 and is not expected to be repaid in the next twelve months.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 21. CONTROLLED ENTITIES

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>	<u>Paid Up Capital</u>	<u>Percentage Owned</u>	
				2015	2014
CIMC Marketing Pty. Limited	Australia	Management services and trading	AUD1.00	100%	100%
China Media Limited	Hong Kong	Provision of advertising and media services	HKD1.00	100%	100%
Dragon Creative Limited	Hong Kong	Sale and distribution of various 3D related products and provision of 3D consulting services	HKD8.00	100%	100%
Binario Limited	British Virgin Islands	Investment holding	AUD1.00	100%	100%
Conco International Co., Limited	British Virgin Islands	Sale and distribution of audio products	USD50,000	100%	-
Marvel Digital Limited	Hong Kong	Development of 3D autostereoscopic display technology and investment holding	HKD30,000,000	100% (indirect)	-
Visumotion International Limited	Hong Kong	Sales of software and provision of consultancy services	HKD1.00	100% (indirect)	-
Marvel Digital (Shenzhen) Limited	P.R.C.	Manufacturing and distribution of 3D products and provision of 3D consultancy services	RMB23,939,197	100% (indirect)	-
Marvel Software (Shenzhen) Limited	P.R.C.	Dormant	Nil	100% (indirect)	-
Global Vantage Audio Limited	Hong Kong	Sale and distribution of audio products	HKD1.00	50% (indirect)	-

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 22. BUSINESS COMBINATIONS

#### (a) Acquisition of Conco International Co., Ltd. ("CICL")

On 9 February 2015, the Company acquired all of the issued shares of Conco International Co., Ltd. ("CICL"), which is a company principally engaged in the design, sales and distribution of audio products. The consideration paid was \$61,591 which was the amount of the net asset value of CICL. The consideration was settled by the Company issuing 307,954 shares at \$0.20 each. The purchase agreement also provides that Performance Shares be issued to the vendor contingent on CICL achieving an agreed level of profit performance. The value of the Performance Shares to be issued ("Bonus Shares") will be equivalent to five times the average annual net profits of CICL for the three years ending 31 December 2018 less the consideration paid on acquisition. The number of shares to be issued will be the value of the Bonus Shares divided by the Share Price which is defined in the agreement as the twenty days closing average price of the Company's shares quoted on the Australian Securities Exchange.

#### Assets acquired and liabilities assumed at the date of acquisition

	\$
<b>Current assets</b>	
Trade and other receivables	177,702
Cash and cash equivalents	17,013
<b>Non-current assets</b>	
Plant and equipment	199,854
<b>Current liabilities</b>	
Trade and other payables	(88,090)
Deposits received	(244,888)
<b>Total identifiable net assets acquired</b>	<u>61,591</u>
Value of equity issued	<u>61,591</u>

The above assets acquired and liabilities assumed at the date of acquisition are at fair value. No goodwill was therefore arisen from this acquisition.

For the year ended 31 December 2015, CICL contributed revenue of approximately \$1,560,000 and profit of \$42,000 to the Group's results.

#### (b) Acquisition of Marvel Digital Limited ("MDL")

On 30 September 2015, the Company acquired all of the issued shares of Marvel Digital Limited ("MDL"), which is a company principally engaged in the development of autostereoscopic 3D display technology, 2D to 3D conversion software and digital content management system. The consideration paid was \$5,216,213 which was the amount of the net asset value of MDL. The consideration was settled by the Company issuing 26,081,065 shares at \$0.20 each. The purchase agreement also provides that a deferred performance fee calculated at five times of the average annualized consolidated profits of MDL for the two years' period from the completion date less the initial purchase consideration.



## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 22. BUSINESS COMBINATIONS (Continued)

#### (b) Acquisition of Marvel Digital Limited (“MDL”) (continued)

The Company engaged an independent valuer, RHL Appraisal Limited, to perform a valuation on the purchase price allocation of the identifiable net assets acquired in MDL as at acquisition date. Their valuation was carried out on a fair value basis and in determining the fair value of intangible assets, the valuer adopted an income approach known as the multi-period excess earning method in which the earnings of the intangible assets are separated from the total earnings of MDL by identifying and deducting portions of the total earnings that are attributable to the contributory assets, which are the assets used in the production of earnings associated with the intangible asset being valued. The excess earnings that are attributable to the subject intangible asset are then discounted to present value at the appropriate required rate of return. A weighted average cost of capital plus a risk premium for intangible assets is determined at 20.19% for the subject intangible assets as at the valuation date.

#### Assets acquired and liabilities assumed at the date of acquisition

	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Current assets</b>	\$	\$
Trade and other receivables	1,369,911	1,369,911
Inventories	1,188,167	1,188,167
Tax receivables	86,721	86,721
Cash and cash equivalents	854,057	854,057
<b>Non-current assets</b>		
Plant and equipment	1,574,817	1,574,817
Development projects	709,463	709,463
Intangible assets	3,245,276	11,273,717
<b>Current liabilities</b>		
Trade and other payables	(3,754,912)	(3,754,912)
Deposits received	(57,287)	(57,287)
<b>Non-current liabilities</b>		
Deferred tax liabilities	-	(1,324,693)
<b>Total identifiable net assets acquired</b>	<u>5,216,213</u>	<u>11,919,961</u>

The Directors considered the above trade and other receivables acquired at the date of acquisition are fully collectible and approximate the fair value.

For the three months ended 31 December 2015, MDL contributed revenue of approximately \$4,750,000 and profit after income tax of \$2,990,000 to the Group's results.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 22. BUSINESS COMBINATIONS (Continued)

#### (b) Acquisition of Marvel Digital Limited (“MDL”) (continued)

##### Consideration transferred and goodwill

The following table summarises the acquisition date fair value of each major class of consideration transferred:

Initial purchase consideration	
- Equity instruments	5,216,213
Contingent consideration	21,396,339
Total consideration transferred	26,612,552
Less: Fair value of identifiable net assets acquired	(11,919,961)
Goodwill (Note 16)	<u>14,692,591</u>

##### Contingent consideration

As mentioned above, the Company agreed to pay Marvel Finance Limited (“MFL”) a deferred performance fee calculated at five times of the average annualized consolidated profits of MDL for the two years’ period from the completion date less the initial purchase consideration. The Group has included approximately HK\$115,980,000, equivalent to \$21,396,339 as contingent consideration, which represents its fair value at the date of acquisition. The fair value of contingent consideration is based on an independent valuation which is determined by using the discounted cash flow method on the probability-weighted financial projection of MDL for the period from 1 October 2015 to 30 September 2017 and is under level 3 fair value adjustment. The Company agreed to pay this deferred performance fee by cashier order or banker draft within two weeks upon the Company and MFL agreeing on the audited profits no later than four months after the second anniversary of the date of acquisition, i.e. 31 January 2018. At the date of approval of these consolidated financial statements, no further significant changes to the consideration are expected.

### 23. ISSUED CAPITAL

#### (a) Share Capital

Group	31 December 2015		31 December 2014	
	Number of shares	\$	Number of shares	\$
Ordinary Shares fully paid	<u>79,301,852</u>	<u>10,410,279</u>	<u>52,912,833</u>	<u>5,132,475</u>

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 23. ISSUED CAPITAL (Continued)

#### (b) Movements in ordinary share capital

	Number of Shares	\$
31 December 2014 & 1 January 2015	52,912,833	5,132,475
Issue of shares during the year	26,389,019	5,277,804
31 December 2015	<u>79,301,852</u>	<u>10,410,279</u>

There is only one class of share on issue being ordinary fully paid shares. Holders of ordinary shares are treated equally in all respects regarding voting rights and with respect to the participation in dividends and in the distribution of surplus assets upon a winding up. The fully paid ordinary shares have no par value.

In February 2015, the Company issued 307,954 new ordinary shares at a price of \$0.20 per share for a total for \$61,591 to acquire 100% equity interests in Conco International Co., Ltd.

On 30 September 2015, the Company issued 26,081,065 new ordinary shares at a price of \$0.20 per share for a total for \$5,216,213 to acquire 100% equity interests in Marvel Digital Limited.

#### (c) Options on issue

There were no share options issued and outstanding during and at the end of the financial period.

### 24. RESERVE

#### *Foreign currency translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to Australian dollars.

### 25. ACCUMULATED LOSSES

	Group Year ended 31 December 2015 \$	Year ended 31 December 2014 \$
Balance at beginning of financial year	(2,416,035)	(1,516,527)
Net profit / (loss) for the financial year	2,378,276	(899,508)
Balance at end of financial year	<u>(37,759)</u>	<u>(2,416,035)</u>

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 26. COMMITMENTS

#### (a) Non-cancellable operating leases

The Group has entered into commercial leases for rental accommodation and certain items of plant and equipment.

	<b>Group</b>	
	2015	2014
	\$	\$
Committed at the reporting date but not recognised as liabilities, which are payable:		
- Within one year	190,913	1,500
- Two to five years	135,896	-
- More than five years	-	-
	<u>326,809</u>	<u>1,500</u>

#### (b) Contractual commitments

As at 31 December 2015, the Group had contractual commitments for certain development projects of approximately \$527,000 which are payable in 2016.

#### (c) Capital commitments

As at 31 December 2015, the Group had internal capital commitments for the investments in two PRC subsidiaries of RMB26,060,000 (approximately \$5,600,000).

### 27. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at the end of the reporting period other than the contingent consideration payable for acquisition of Marvel Digital Limited as disclosed in Note 22(b) – Business Combinations.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk management objectives

The Group is exposed to financial risk through the normal course of their business operations. The key risks impacting the Group's financial instruments are considered to be interest rate risk, price risk, foreign currency risk, liquidity risk, credit risk and capital risk. The Group's financial instruments exposed to these risks are cash and short term deposits, financial assets at fair value through profit or loss, receivables and trade payables.

The Group's chief executive officer monitors the Group's risks on an ongoing basis and report to the Board.

#### (b) Interest rate risk management

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group has adopted a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in Hong Kong denominated accounts available at call. These accounts currently earn low interests.

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had increased/decreased by 50 basis points from the weighted average effective rate for the year, with other variables constant, the profit for the year would have been \$33,709 higher (loss for the year ended 31 December 2014: \$1,391 lower) / \$33,709 lower (loss for the year ended 31 December 2014: \$1,391 higher).

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Interest rate risk management (continued)

The following table summarises interest rate risk for the Group, together with effective interest rates as at the reporting date.

2015	Weighted average effective interest rate	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial Assets				
Cash and cash equivalents	0.85%	6,741,856	141,340	6,883,196
Trade and other receivables		-	992,524	992,524
Other assets		-	788,146	788,146
Total Financial Assets		<u>6,741,856</u>	<u>1,922,010</u>	<u>8,663,866</u>
Financial Liabilities				
Trade and other payables		-	477,618	477,618
Trade deposits received		-	337,739	337,739
Amount due to ultimate holding company				
- Current		-	875,939	875,939
- Non-current		-	2,694,900	2,694,900
Provisions		-	29,230	29,230
Total Financial Liabilities		<u>-</u>	<u>4,415,426</u>	<u>4,415,426</u>

  

2014	Weighted average effective interest rate	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial Assets				
Cash and cash equivalents	0.8%	278,226	1,949,489	2,227,715
Trade and other receivables		-	222,427	222,427
Other assets		-	52,642	52,642
Total Financial Assets		<u>278,226</u>	<u>2,224,558</u>	<u>2,502,784</u>
Financial Liabilities				
Trade and other payables		-	83,326	83,326
Provisions		-	3,090	3,090
Total Financial Liabilities		<u>-</u>	<u>86,416</u>	<u>86,416</u>

#### (c) Price risk

The Group is exposed to price risk through its holding of ordinary shares listed on the Over-the-counter Bulletin Board. The value of the investment at reporting date is Nil (2014: \$614,133). An increase or decrease in price of 33.3%, while all other variables hold constant, would have a favourable / an adverse effect on profit before tax of Nil (2014: loss before tax of \$204,711) per annum. The percentage change is based on the volatility of the price since the beginning of the current year.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Foreign currency risk

The Group has net assets denominated in certain foreign currencies as at 31 December 2015. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts are those reported to key management translated into AUD at the closing rate:

	Short term exposure			Long term exposure		
	HKD	USD	RMB	HKD	USD	RMB
31 December 2015						
- Financial assets	2,882,441	181,584	4,929,573	-	-	-
- Financial liabilities	(21,918,727)	-	(328,077)	(2,694,900)	-	-
Total exposure	(19,036,286)	181,584	4,601,496	(2,694,900)	-	-
	Short term exposure			Long term exposure		
	HKD	USD	RMB	HKD	USD	RMB
31 December 2014						
- Financial assets	2,221,453	-	-	-	-	-
- Financial liabilities	(65,190)	-	-	-	-	-
Total exposure	2,156,263	-	-	-	-	-

The following table illustrates the sensitivity of profit / (loss) and equity in regards to the Group's financial assets and financial liabilities and the HKD/AUD exchange rate, USD/AUD exchange rate and RMB/AUD exchange rate and assume 'all other things being equal'. It assumes a +/- 5% change of the AUD/HKD exchange rate for the year ended at 31 December 2015 (2014: 5%). A +/- 5% change is considered for the AUD/USD exchange rate (2014: N/A). A +/- 10% change is considered for the AUD/RMB exchange rate (2014: N/A). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the AUD had strengthened against the HKD by 5% (2014: 5%), the USD by 5% (2014: N/A) and the RMB by 10% (2014: N/A) respectively then this would have had the following impact:

	Profit / (Loss) for the year				Equity			
	HKD	USD	RMB	Total	HKD	USD	RMB	Total
31 December 2015	1,086,559	(9,079)	(460,150)	617,330	1,086,559	(9,079)	(460,150)	617,330
31 December 2014	(107,813)	-	-	(107,813)	(107,813)	-	-	(107,813)

If the AUD had weakened against the HKD by 5% (2014: 5%), the USD by 5% (2014: N/A) and the RMB by 10% (2014: N/A) respectively then this would have had the following impact:

	Profit / (Loss) for the year				Equity			
	HKD	USD	RMB	Total	HKD	USD	RMB	Total
31 December 2015	(1,086,559)	9,079	460,150	(617,330)	(1,086,559)	9,079	460,150	(617,330)
31 December 2014	107,813	-	-	107,813	107,813	-	-	107,813

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Foreign currency risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

#### (e) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group is expected to settle all the liabilities in 2016 from the cash reserves in the Group.

#### (f) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Group. The Group's potential concentration of credit risk consists mainly of cash deposits with banks and trade receivables with its customers. The Group's short term cash surpluses are placed with banks that have investment grade ratings. The Group considers the credit standing of counterparties and customers when making deposits and sales, respectively, to manage the credit risk. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. Considering the nature of the business at current, the Group believes that the credit risk is not material to the Group's operations.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period, to financial assets, is represented by the carrying amount of cash and cash equivalents, trade and other receivables, net of any provisions for doubtful debts, as disclosed in the consolidated statement of financial positions and notes to the consolidated financial statements.

#### (g) Fair value of financial instruments

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Financial assets at fair value through profit or loss.
- Contingent consideration payable.



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT (Continued)

#### (g) Fair value of financial instruments (continued)

##### *Fair value hierarchy*

All assets and liabilities for which fair value is measured or disclosed are categorized according to the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

##### *Recognised fair value measurements*

The following table sets out the Group's assets and liabilities that are measured at fair value in the consolidated financial statements.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets at fair value through profit or loss</i>				
- 31 December 2015	-	-	-	-
- 31 December 2014	614,133	-	-	614,133
<i>Contingent consideration payable</i>				
- 31 December 2015	-	-	20,836,176	20,836,176
- 31 December 2014	-	-	-	-

There were no transfers during the year between level 1 and level 2 recurring fair value measurements.

The Group's policy is to recognise transfers into and of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

##### *Disclosed fair values*

The Group also has assets and liabilities which are not measured at fair values but for which fair values are disclosed in the notes to the consolidated financial statements.

Due to their short term nature, the carrying amounts of trade receivables (refer to Note 12) and payables (refer to Note 18) are assumed to approximate their fair values because the impact of discounting is not significant.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 28. FINANCIAL RISK MANAGEMENT (Continued)

#### (h) Capital management risk

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future development of its business. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts. The Group's focus has been to raise sufficient funds through equity to fund its business activities.

There were no changes to the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserve and accumulated losses as disclosed in Notes 23, 24 and 25 respectively.

### 29. RELATED PARTIES

#### (a) Parent and ultimate controlling party

On 30 September 2015, the Company issued 26,081,065 new ordinary shares at a price of \$0.20 per share to acquire 100% equity interests in Marvel Digital Limited from Marvel Finance Limited, which is a company controlled and wholly owned by Dr. Herbert Ying Chiu LEE. Marvel Finance Limited now owns 44,787,331 ordinary shares of the Company and has become the new ultimate controlling party of the Group.

#### (b) Transactions with key management personnel

During the year, Dr. Man-Chung CHAN and Mike Chi-Wen HSIEH received director's fee of \$26,782 and \$5,674 respectively.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2015

### 29. RELATED PARTIES (Continued)

#### (c) Other related party transactions

During the year, the Group has following material transactions with its related parties:

	<b>Group</b>	
	2015	2014
	\$	\$
- Sales of products to related parties	2,477,235	-
- Service fees paid to a related party	13,430	-
- Sundry income receivable from a related party	232,858	-
- Expenses paid to a related party	23,952	-

Our Director, Dr. Herbert Ying Chiu LEE, has control over the above related parties.

In December 2015, the Group sold certain fixed assets at its net book amount of \$51,648 to a related entity which our Director, Dr. Herbert Ying Chiu LEE, is holding approximately 69% equity interests.

#### (d) Amounts due from / to related companies

As disclosed in Note 12, there was an amount of \$284,506 due from a related company in which our Director - Dr. Herbert Ying Chiu LEE is holding approximately 69% equity interests.

As disclosed in Note 20, there was an amount of \$3,570,839 due to ultimate holding company, Marvel Finance Limited.

### 30. CASH FLOW INFORMATION

	<b>Group</b>	
	Year ended	Year ended
	31 December	31 December
	2015	2014
	\$	\$
<b>CASH FLOWS FROM CHANGES IN WORKING CAPITAL</b>		
(Increase)/Decrease in assets:		
Other receivables and deposits	(634,661)	231,550
Inventories	476,565	-
Trade receivables	817,801	390,998
Increase / (Decrease) in liabilities:		
Other payables	296,545	8,732
Accrued expenses	(14,969)	8,418
Deferred income	(35,511)	39,838
Trade deposits received	68,993	-
Provisions	26,527	-
Related party payables	-	(14,961)
<b>NET CASH FLOWS FROM CHANGES IN WORKING CAPITAL</b>	<b>1,001,290</b>	<b>664,575</b>

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 31. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Remuneration

Remuneration of Directors and key executives are set out on page 7-8 of the Directors' Report.

The total remuneration paid or payable to the management of the Group during the year are as follows:

	31 December 2015 \$	31 December 2014 \$
Short term benefits	30,408	2,839
Post-employment benefits	2,048	-
Total	<u>32,456</u>	<u>2,839</u>

(b) Loans to Key Management Personnel and their related parties

There were no loans outstanding at the reporting date to Key Management Personnel and their related parties

*Other transactions with Key Management Personnel*

A number of key management persons, or their related parties, held positions in other entities that resulted in them having control or significant influences over the financials or operating policies of these entities. Transactions between related parties are in normal commercial terms and conditions unless otherwise stated in Notes 12, 20 and 29.

(c) Share Options – number of share options held by management

There were no share options held outstanding held by the management.

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 32. SEGMENT INFORMATION

Operating segments have been determined on the basis of reports reviewed by the executive management committee. The executive management committee ("committee") is considered to be the chief operating decision maker of the Group. The committee considers that the Group has assessed and allocated resources on this basis. The committee considers that the Group has three operating segments for the year ended 31 December 2015 (2014: two), being (1) the development, sale and distribution of autostereoscopic 3D displays, conversion equipment and software, (2) sale and distribution of audio products, and (3) provision of consultancy services.

Segment information for the reporting period is as follows:

For the year ended 31 December 2015	Development, sale and distribution of 3D displays, conversion equipment and software \$	Sales and distribution of audio products \$	Consultancy services \$	Corporate \$	Total \$
<b>Revenue</b>					
Revenue from operating activities	4,749,789	1,559,199	65,260	4,788	6,379,036
Interest income	-	-	349	40	389
Gain on disposal of financial assets	-	-	-	507,694	507,694
Other income	260,336	159,244	-	-	419,580
<b>Segment revenue</b>	<b>5,010,125</b>	<b>1,718,443</b>	<b>65,609</b>	<b>512,522</b>	<b>7,306,699</b>
Cost of revenue	1,716,370	1,263,707	-	4,214	2,984,291
Employee benefit expenses	161,521	266,826	547,600	5,674	981,621
Depreciation and amortisation expenses	187,236	76,771	119,628	-	383,635
Professional and consulting expenses	-	52,804	287,640	51,000	391,444
Travel and accommodation expenses	27,799	4,933	17,920	8,847	59,499
Other expenses	287,788	10,950	62,852	144,655	506,245
<b>Segment operating profit/(loss)</b>	<b>2,629,411</b>	<b>42,452</b>	<b>(970,031)</b>	<b>298,132</b>	<b>1,999,964</b>
<b>Segment assets 2015</b>	<b>20,674,571</b>	<b>166,863</b>	<b>2,080,392</b>	<b>14,349,641</b>	<b>37,271,467</b>
<b>Segment liabilities 2015</b>	<b>5,214,794</b>	<b>2,740</b>	<b>78,583</b>	<b>20,889,338</b>	<b>26,185,455</b>

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 32. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2014	Development, sale and distribution of 3D displays, conversion equipment and software \$	Sales and distribution of audio products \$	Consultancy services \$	Corporate \$	Total \$
<b>Revenue</b>					
Revenue from operating activities	-	-	594,886	-	594,886
Interest income	-	-	2,740	-	2,740
<b>Segment revenue</b>	-	-	<b>597,626</b>	-	<b>597,626</b>
Cost of revenue	-	-	263,805	-	263,805
Employee benefit expenses	-	-	194,761	2,838	197,599
Depreciation and amortisation expenses	-	-	123,591	744	124,335
Professional and consulting expenses	-	-	110,530	52,600	163,130
Loss on financial assets at fair value through profit or loss	-	-	-	551,787	551,787
Travel and accommodation expenses	-	-	27,067	2,072	29,139
Other expenses	-	-	52,791	114,548	167,339
<b>Segment operating loss</b>	-	-	<b>(174,919)</b>	<b>(724,589)</b>	<b>(899,508)</b>
<b>Segment assets 2014</b>	-	-	<b>3,389,249</b>	<b>3,104</b>	<b>3,392,353</b>
<b>Segment liabilities 2014</b>	-	-	<b>65,190</b>	<b>21,226</b>	<b>86,416</b>

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 32. SEGMENT INFORMATION (Continued)

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

##### Revenue by geographic location

	<b>Group</b>	
	Year ended 31 December 2015 \$	Year ended 31 December 2014 \$
Australia	4,828	-
Hong Kong	1,185,271	597,626
China	5,189,326	-
	<u>6,379,425</u>	<u>597,626</u>

##### Non-current assets by geographic location

	<b>Group</b>	
	Year ended 31 December 2015 \$	Year ended 31 December 2014 \$
Australia	14,307,935	-
Hong Kong	13,060,229	275,436
China	540,521	-
	<u>27,908,685</u>	<u>275,436</u>

##### Major customers

For the year ended 31 December 2015, the Group has four individual customers (2014: four) with revenues comprising more than 10% of Group's revenues.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2015

### 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

#### *Statement of Comprehensive Income*

	<b>Company</b>	
	2015	2014
	\$	\$
Loss after income tax	203,168	147,970
Other comprehensive income	-	-
Total comprehensive income	<u>203,168</u>	<u>147,970</u>

#### *Statement of Financial Position*

	<b>Company</b>	
	2015	2014
	\$	\$
Total non-current assets	5,277,807	-
Total current assets	<u>4,072,133</u>	<u>4,243,368</u>
Total assets	<u>9,349,940</u>	<u>4,243,368</u>
Total current liabilities	<u>53,161</u>	<u>21,225</u>
Total liabilities	<u>53,161</u>	<u>21,225</u>
Total Assets Less Liabilities	<u>9,296,779</u>	<u>4,222,143</u>
Equity		
Issued capital	10,410,279	5,132,475
Accumulated losses	<u>(1,113,500)</u>	<u>(910,332)</u>
Total equity	<u>9,296,779</u>	<u>4,222,143</u>

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiary*

The parent entity is not party to a deed of cross guarantee with any of its subsidiaries.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

#### *Capital commitments – property, plant and equipment*

The parent entity has no capital commitments for property, plant and equipment as at 31 December 2015 and 31 December 2014.

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 3, except for;

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of impairment.



## **Notes to the Consolidated Financial Statements For the year ended 31 December 2015**

### **34. EVENTS OCCURRING AFTER THE REPORTING DATE**

There is no matter or circumstance arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

### **35. COMPANY DETAILS**

The registered office and principal place of business is:

Level 7, 420 King William Street  
Adelaide SA 5000

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 10 to 55 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's financial position and performance as at 31 December 2015; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3;
- (d) the audited remuneration disclosures set out on pages 7 to 8 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

*/S/ Herbert Ying Chiu LEE*

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Dr. Herbert Ying Chiu LEE  
Director

Hong Kong, 16 February 2016

**INDEPENDENT AUDITOR'S AUDIT REPORT**

**TO THE DIRECTORS OF CHINA INTEGRATED MEDIA CORPORATION LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of China Integrated Media Corporation Limited which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the financial year or from time to time during the year .

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The directors' also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of China Integrated Media Corporation Limited, would be in the same terms of provided to the directors as at the time of the auditor's report.

## Auditor's opinion

In our opinion:

- (a) The financial report of China Integrated Media Corporation Limited is in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on the date; and
  - (ii) Compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the year ended 31 December 2015. The directors of China Integrated Media Corporation Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion

In our opinion, the remuneration report of China Integrated Media Corporation Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.



**StewartBrown Audit Services Pty Limited**



**Peter Whelan**

Director

Adelaide, 16 February 2016



**StewartBrown**

Audit Services Pty Limited

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CHARTERED ACCOUNTANTS

**DECLARATION OF INDEPENDENCE**

**BY Peter WHELAN**

**TO THE DIRECTORS OF CHINA INTEGRATED MEDIA CORPORATION LIMITED**

As lead auditor of China Integrated Media Corporation Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of China Integrated Media Corporation Limited and the entities it controlled during the year.

**Peter Whelan**

Director

**StewartBrown Audit Services Pty Limited**

Adelaide, 16 February 2016

# Corporate Governance Statement

The Company's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's Revised Corporate Governance Principles and Recommendations, which are as follows:

## **Principle 1 - Lay solid foundations for management and oversight**

The primary responsibility of the Board of Directors of the Company is to oversee the business affairs of the Company and its controlled entities ("the Group") in order to protect and enhance the shareholders' interests. The Board's role is to ensure that the Group meets its obligations and responsibilities in all areas affecting all shareholders and the share market generally. The other responsibilities of the Board include:

- overseeing the Group's business affairs, including its control and accountability systems;
- inputting into and approving of management's development of corporate strategy and performance objectives;
- reviewing, approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- reviewing and approving all financial and other reporting;
- establishing, monitoring and regularly reviewing systems of internal compliance, risk management and control and systems of legal compliance that govern the operations of the Company and ensuring that they are operating effectively;
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer (or equivalent); and
- ratifying the appointment and/or removal, and contributing to the performance assessment of senior management, including the Chief Operating Officer and the Company Secretary.

The Chair is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussion and managing the Board's relationship with the Company's senior management.

## **Principle 2 - Structure the board to add value**

The ASX Recommendations state that the:

- majority of a company's board should comprise independent Directors;
- the chair should be an independent director;
- the roles of chair and chief executive officer should not be exercised by the same person; and
- the board should establish a nomination committee.

## Corporate Governance Statement

The Board, during the reporting period had up to three Directors and at the end of the period, comprises two Directors. The Board considers that one of these Directors, namely Dr. Man-Chung CHAN satisfy the criteria for independence in the ASX recommendations while Dr. Herbert Ying Chiu LEE is not considered independent. A non-executive director is considered to be independent if the director:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company, or another group member, or has been a director after ceasing to hold any such employment within the last three years;
- has not been a principal of a material professional adviser or material consultant to the Company or another group member or an employee materially associated with the service provided within the last three years;
- is not a material supplier or customer of the Company or other group members, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has no material contractual relationship with the Company or another group member other than as a director or shareholder of the Company.

As of the 29<sup>th</sup> of May 2015 to the date of this report the Board does not comply with the Council's recommendation that a majority of the Board should comprise independent Directors.

In order to comply with Principle 2 the current Board of directors are engaged in a process to recruit additional independent Directors onto the Board who exhibit the relevant knowledge, skills and experience to add value to the Company and ultimately the shareholders. The board intends to fill this vacancy as quickly as possible with a suitable candidate.

The Board will endeavour to appoint more independent Directors who have relevant knowledge and skills to join the Board when the Board believes it is in the interests of shareholders to do so.

The Board does not currently comply with the recommendation that the chair of the Board be an independent director and the role of chair and chief executive officer should not be exercised by the same person. The Board appointed Dr. Herbert Ying Chiu LEE as both Chairman and Chief Executive Officer because:

- Dr. Herbert Ying Chiu LEE is a controlling shareholder who has an in-depth knowledge of the Company's main operation, advertising business in China, valuable working relationships in China and the knowledge in autostereoscopic technology.

## Corporate Governance Statement

However, the Board acknowledges the potential shortcoming of not following the recommendations during the period and is still in the process of seeking a suitable candidate to act as an independent Chair or Chief Executive Officer of the Company. When a suitable candidate is found, the current chair will step down from one of those two roles. In the meantime, the Board recognises that as an executive chair may not be able to provide an independent review of the performance of management, the Board has adopted the following governance policies:

- established clear protocols for handling conflicts of interest; and
- appointed Dr. Man-Chung CHAN as the Lead Independent Director to chair meetings involving any potential conflicts of interest.

The Board currently comprises two directors and none of these directors resides in Australia which is not in compliance with Section 201A of Corporations Act 2001 that requires public companies to have at least two directors ordinarily residing in Australia. The Board is in the process of seeking suitable candidates to join the Board to rectify the current non-compliance.

### Board composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' report. The Company undertakes an annual board performance review and considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

### Retirement and re-election

In accordance with the Constitution, other than the Managing Director, at least one third of the Directors are required to retire from office by rotation at each Annual General Meeting. Such retiring Directors are eligible for re-election. When a vacancy exists or an additional director is required, the Board has the power to appoint any person as a director who holds office only until the next Annual General Meeting at which time they can stand for re-election.

### Nomination and appointment of new Directors

The Nomination and Remuneration Committee is responsible for making recommendations of candidates for appointment as new Directors to the Board as a whole for consideration. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by the Nomination and Remuneration Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board, and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director (as noted previously) must retire at the next annual general meeting and will be eligible for election by shareholders at that meeting.

### Knowledge, skills and experience

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are provided with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group.



# Corporate Governance Statement

## Board access to information and independent advice

All Directors have unrestricted access to employees of the Group and, subject to the law, access to all Company records and information held by Group employees and external advisers. Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee. The Company will reimburse the Director for the reasonable expenses of obtaining that advice.

## Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform their fellow Directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

Directors are required to disclose any material personal interests and the relationship of these interests to the affairs of the Company. A director is required to provide an updated notice to disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other Directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001.

## Principle 3 - Promote ethical and responsible decision making

### Code of Conduct

The Company has an internal code of conduct which sets out principles to guide Directors and employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Company, its customers and suppliers and the community. The code covers areas such as conduct in the workplace, business conduct, protection of the Company's assets, confidentiality, non-solicitation of customers and employees, conflicts of interest and corporate opportunities. All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### Share trading guidelines

The Company's securities trading policy provides that Directors and employees of the Company should not deal in the Company's shares while possessing any information which if generally available might have a material effect on the price or value of the securities. Directors and employees of the Company are advised only to deal in the Company's or its listed subsidiary's shares after a reasonable time gap has elapsed following the issue of an announcement to the Australian Securities Exchange, especially half-year and year end results. At this point the market will have absorbed the announcement and the information will be generally available. The policy also discourages trading on short-term considerations.

# Corporate Governance Statement

## Diversity Policy

The Board believes that diversity includes, but is not limited to gender, age, ethnicity, and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The Company has no female board member and does not comply with Recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 22 January 2013.

## Principle 4 - Safeguard integrity in financial reporting

During the reporting period, the audit committee was structured so that it:

- consisted of a majority of non-executive Directors; and
- was chaired by an independent director, who was not chair of the Board

Dr. Man-Chung CHAN was appointed as the chairman of audit committee during the reporting period, who is the Lead Independent Director of the Board.

The Audit Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Company's financial reporting and the system of internal control. A key component of the committee's role is to provide appropriate advice and recommendations to the Board to assist the Board to fulfil its responsibilities in regard to financial reporting, the internal control environment, and audit management where appropriate across the Company.

The Audit Committee Charter takes in to account the role and responsibilities of the Audit Committee as well as contemporary governance practices. The Audit Committee was formally given the duties to liaise with external auditors and ensure that the annual and half yearly statutory audits are conducted in an effective manner. The Audit Committee Charter includes details on the appointment and oversight of the external auditor. The Company will ensure the external auditor is available to shareholders at the annual general meeting to answer any questions they may have about the Company's external audit.

Audit recommendations, internal control matters and any other matter arising from the audit are reviewed and where necessary referred to the Board for further discussion. Recommendations from the auditors are considered, and if deemed appropriate implemented.

The Audit Committee reviews external audit reports to ensure that any major deficiencies or breakdowns in controls or procedures have been identified and prompt remedial action is taken by management. The Audit Committee also reviews the consolidated financial statements and other information distributed externally and accounting policies and practices. An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the notes of the consolidated financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

Details of Audit Committee meeting and attendance by the Committee member is set out earlier in the Directors' Report.

# Corporate Governance Statement

## Principle 5 - Make timely and balanced disclosure

The company secretary has been nominated as the person with primary responsibility for communications with the Australian Securities Exchange (“ASX”) and is required to be fully conversant with the ASX Continuous Disclosure Listing Rules. Each member of the Board has a responsibility to advise the company secretary of any relevant disclosure matters of which they become aware. All material information concerning the Company, including its financial situation, performance, ownership and governance are posted on the Company website to ensure all investors have equal and timely access.

## Principle 6 - Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all major developments through the annual report, the half-yearly report and the encouragement of full participation in the Annual General Meeting. This is achieved by way of detailed reports on the half year and annual results and through the Chairman’s address at general meetings. Copies of announcements made to the ASX are available from the websites of the ASX, [www.asx.com.au](http://www.asx.com.au), and the Company, [www.chinamedia.com.au](http://www.chinamedia.com.au). The Company’s external auditor attends the annual general meetings and is available to answer shareholders’ questions which are submitted in writing to the company secretary no later than five business days before an annual general meeting.

## Principle 7 – Recognise and manage risk

### Risk identification and management

Consistent with ASX Principle 7, the Board is committed to the identification, monitoring and management of risks associated with its business activities and has embedded, in its management and reporting systems, a number of risk management controls. The Board acknowledges that it is responsible for the overall internal control and risk management framework, and recognises that no cost effective internal control and risk management system will preclude all errors and irregularities.

The Board has adopted a Risk Management Policy. The management of risk is the responsibility of all Directors, officers and employees of the Company. The Risk Management Policy contains the Company’s risk profile and describes the policies and practices, the Company has in place to manage specific business risks.

### Risk management and integrity of financial reporting

In accordance with ASX Principle 7, the Chief Executive Officer has provided the Board with a written statement for the year ended 31 December 2015 that:

- the statement given with respect to the integrity of the financial statements (referred to under the heading “Financial reporting” in **Principle 4: Safeguard Integrity in Financial Reporting**), was founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company’s risk management and internal compliance and control system, was operating efficiently and effectively in all material respects.

# Corporate Governance Statement

## Principle 8 - Remunerate fairly and responsibly

Given the stage of the Company's operations and the reliance on the experience of the members of the Board, the Nomination and Remuneration committee is composed of current directors and the functions of which are performed by the full Board, acting in the best interests of the Company.

The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The objective of the Company's executive reward framework is to ensure reward for performance and is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for Shareholders. The Board endeavours to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitive and reasonable;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

The Nomination and Remuneration Committee prepared a performance evaluation for senior executives to place in the reporting period and it was in accordance with the process disclosed. Further information to Directors' and executives' remuneration is set out in the Directors' Report and Note 29 to the consolidated financial statements.

The Nomination and Remuneration Committee is responsible for:

- reviewing and implementing remuneration policies and practices for all Directors and management;
- the succession plans to maintain an appropriate balance of skills, experience and expertise on the Board; and
- assessing the necessary and desirable competencies of Board members.

The Board undertakes an annual self-assessment of its collective performance and its members. The Board was of the view that the Directors had the knowledge and information to discharge their responsibilities during the year. The Board assessed the performance of the executive management against pre-determined performance objectives. There are no schemes for retirement benefits other than statutory superannuation for non-executive Directors.

The current committee chairman during the reporting period was Dr. Man-Chung CHAN. No member of the committee will participate in the determination of their own remuneration.

The Board committee reviews its own performance from time to time. The performance evaluation will have regard to the extent to which they have met their responsibilities.

## ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 February 2016.

### Distribution of equity securities

Ordinary share capital

- 79,301,852 fully paid ordinary shares are held by 380 individual shareholders.
- All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, in each class are:

	Holders	Securities	% of issued capital
1-1,000	-	-	-
1,001-5,000	4	14,500	0.02%
5,001-10,000	259	2,590,000	3.27%
10,001-100,000	79	2,808,575	3.54%
> 100,001	30	73,888,777	93.17%
	372	79,301,852	100.00%

### Substantial shareholders as at 15 February 2016

Ordinary shareholders	Number	Fully Paid %
Marvel Finance Limited	44,787,331	56.48%
Jademan International Limited	11,213,734	14.14%

### Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully Paid %
Marvel Finance Limited	44,787,331	56.48%
Jademan International Limited	11,213,734	14.14%
Silver View Finance Limited	3,952,533	4.98%
Foreland Global Limited	2,500,000	3.15%
Maxcom Group International Ltd	1,500,000	1.89%
Edwin Ying Yuen Lee	1,200,000	1.51%
Marisa Unerkov	1,040,000	1.31%
Valdarno Pty Ltd	1,011,000	1.27%
Paul Unerkov	1,000,000	1.26%
Wingmont Pty Ltd	785,000	0.99%
Asiarim Associates Ltd	695,000	0.88%
John D Chataway Nominees Pty Ltd	343,075	0.43%
Jeffrey Ming-Yih Chang	307,954	0.39%
Paul Unerkov + Marisa (Maveric S/F)	300,000	0.38%
Northern Food Discounters Pty Ltd	300,000	0.38%
Con Unerkov	300,000	0.38%
Intek Solution Pty Ltd	260,000	0.33%
Sepino Nominees Pty Ltd	250,000	0.32%
Bing He	220,000	0.28%
Marisa Antonietta Romeo	215,000	0.27%
	72,180,627	91.02%

## **ASX Additional Information**

### **Marketable Parcel**

There are no shareholders holding less than a marketable parcel.

### **Unquoted Equity Securities**

There are no unquoted options on issue.

### **Stock Exchange Listing**

The ordinary shares of China Integrated Media Corporation Limited are quoted on the Australia Securities Exchange (“ASX”) under the ASX code “CIK”.

### **On-Market Buy-Back**

There is no current on-market share buy-back.

### **Voluntary Escrow**

The initial consideration paid for the acquisition of Marvel Digital Limited is the 26,081,065 fully paid ordinary shares of the Company at a price of \$0.20 each. These shares are subject to 12 months’ restriction from the date of issue with the restriction period ending on 30 September 2016. There are no other ordinary shares that are held in voluntary escrow.

### **Use of Cash**

The Company has, in the period between admission to the Official List of ASX Limited and the end of the financial year, used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives that were set out in the Supplementary Prospectus dated 21 December 2012.

