CHINA INTEGRATED MEDIA CORPORATION LIMITED

ACN 132 653 948

Annual Report

For the Financial Year Ended 31 December 2012

Contents

Directors' Report

The directors present their report on the Group consisting of China Integrated Media Corporation Limited ("company") and the entities it controlled for the year ended 31 December 2012.

Directors

The names of the directors in office at any time during the year ended 31 December 2012, and up to the date of this report are:

Director	Appointed	Resigned
Con UNERKOV	-	-
Herbert Ying Chiu LEE	15 October 2012	-
Loui KOTSOPOULOS	-	-
Bing HE	-	-
Juewen LI	-	3 December 2012
LAM Pui Kit	-	3 December 2012
QIU Min	-	5 December 2012

Information on Directors

Con Unerkov

Mr. Con Unerkov is the Chairman and CEO of CIMC. Mr. Unerkov is an Australian based businessman and investor with experience in the Finance, Media and Telecommunications markets in Australia, China and United States.

Mr. Unerkov was a former Director of China Media Group Corporation, a fully reporting company quoted in the United States of America.

Mr. Unerkov holds a Bachelor of Applied Science in Computer Studies from University of South Australia.

Herbert Ying Chiu Lee

Dr. Herbert Ying Chiu Lee ("Dr. Lee") is a seasoned businessman with significant experience in the Hong Kong and Chinese digital advertising market sector. 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 organising information through his newly developed semantic search engine. In 2011, Dr. Lee had been conferred the degree of Doctor of Engineering. Over the past 15 years, Dr. Lee has extensive working experience in technology management. His expertise is in knowledge management systems and 3D autostereoscopy. He has also actively involved in the education sector and is the founding chair of Institute of Applications in Academia and Industry (IAAI), a worldwide community to untap innovative research applications and bridge the gap between theory and practice.

Information on Directors (continued)

Loui Kotsopoulos
Mr. Kotsopoulos has over 25 years of experience in Finance and Administration in the corporate sector of publicly listed companies.

Mr Kotsopoulos holds a Bachelor of Business (Accounting) from Victoria University and he is also a member of Certified Practising Accountant (CPA) of Australia.

Bing He
Mr. He, a Chinese national, was a Director, Treasurer and Chief Financial Officer of China Digital Ventures Corporation, the former parent company of CIMC.

Mr. He has extensive experience in China with previous roles being as General Manager for a telecommunication company that is engaged in the business of supplying telecom and related equipment to businesses and homes in Guangdong province in China.

Mr. He became a non-executive director of the Company Group on 1 September 2012.

Mr. He has a Bachelor of Engineering degree from Hubei TV and Radio University.

Juewen Li
Mr. Li is a seasoned businessman with over 30 years business experience in the Chinese / Hong Kong trade, medical equipment and real estate industries. Mr. Li has been the chairman and president of Hunan Trading Company Limited, Director / Chairman / President of Hong Kong Hunan Sunshine Holdings Limited which under his guidance rapidly developed into a multinational conglomerate engaging in import and export trading, industrial investment, property development and hotel management. Mr. Li resigned from the board on 3 December 2012.

Pui Kit LAM
Dr. Lam is a seasoned businessman with over 40 years business experience in China.

Dr. Lam is also a Director of Beijing Ren Ren Health Culture Promotion Co. Ltd which has undertaken on behalf of the Chinese Government to manage the project named, "Great Wall of China Project" which has been granted the task of promoting health awareness and health education to the Chinese population under the United Nations Millennium Development Goals Program. Dr. Lam resigned from the board on 3 December 2012.

QIU Min
Mr. Qiu is a seasoned businessman with over 28 years business experience in Chinese mining, government, radio communications, television and advertising industries. Mr. Qiu is the deputy director of China Radio International ("CRI") Guangzhou office leading the deployment of the IPTV project for CRI in China. Mr. Qiu is also the executive director and legal representative of Sichuan JPJD Media Limited and of Hunan JPJD Media Limited, both having deployed the CRI IPTV platform in Sichuan and Hunan Provinces, respectively, and is currently the general manager of the Guangzhou office of China Radio International. Mr. Qiu was removed from the board on 5 December 2012.

Directors' Meetings

The following table sets out the number of directors' meetings (no committee meetings were held as the full board dealt with matters that could have been delegated to committees) held during the financial year and the number of meetings attended by each director (while they were a director). During the current financial year, 6 board meetings were held.

Director	Eligible	Attended
Con UNERKOV	6	6
Herbert Ying Chiu LEE[(1)]	4	4
Loui KOTSOPOULOS	6	6
Bing HE	6	6
Juewen LI[(2)]	2	0
Pui Kit LAM[(2)]	2	0
QUI Min[(3)]	3	0

Note:
[(1)] appointed onto the board on 15 October 2012
[(2)] resigned from the board on 3 December 2012
[(3)] removed from the board on 5 December 2012

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 24 to the financial statements of this 2012 Annual Report.

Company Secretary

The name of the company secretary in office at any time during year ended 31 December 2012 is:

Con UNERKOV
Pierre Andre VAN DER MERWE (resigned 23 January 2012)

PRINCIPAL ACTIVITIES

The Group's principal activities during the course of the financial year were the development of the television business, the digital media / advertising business and the outdoor media business. However during the year, the Group determined to cease the television business until it is in a position to raise the necessary funding required for the business. The Group also disposed its outdoor media boards to concentrate on the digital advertising in glasses-free 3D (autostereoscopic) and lottery gaming business in China.

There were no significant changes in the nature of the Group's principal activities during the year not otherwise disclosed in the report.

OPERATING RESULTS

The consolidated loss of the economic entity for the financial year after providing for income tax amounted to $476,742.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. With respect to the 2012 financial year, the directors have recommended that no dividend be paid.

REVIEW OF OPERATIONS

The Group's main activity during the financial year was the sale of advertising for the outdoor media business. The Group's television and digital media / advertising business were still in the development stage and did not contribute any revenue to the Group during the year.

During the financial year, the Group has recorded a revenue of A$21,550 (2011: A$107,005) and recorded a loss of the year of A$476,742 (2011: A$374,473).

During the year the Group determined to divest from its IPTV business in China and the outdoor media board businesses, and instead focus on the digital advertising in glasses-free 3D (autostereoscopic) and the lottery outlet business in China.

The Group also recognized an unrealized loss of A$212,945 (2011: A$47,140) and realized loss of A$242,870 (2011: nil) from its investment in marketable securities.

The Group recognized a loss after tax for the financial year of $484,930 (2011: A$354,844).

In the prior year, in order for the Group to develop its intended business opportunities the Company issued a prospectus on the 9th September 2011 to raise funding from a minimum of A$2,200,000 to a maximum of A$6,000,000 at a price of A$0.20 per share. This Prospectus was open during the financial year until on or about 17 September 2012 when the Prospectus lapsed.

On 12 December 2012 the Company issued another prospectus to raise funding from a minimum of A$3,000,000 to a maximum of A$5,000,000 at a price of A$0.20 per share. On 22 December 2012, the Company issued a supplemental prospectus and the prospectus was open on that date. On 14 December 2012, the Company applied to be quoted on the official list on the Australia Stock Exchange pursuant to the Supplemental Prospectus dated 22 December 2012. Pursuant to the Supplemental Prospectus, the offer was closed on 20 February 2013 where the Company raised a total of A$3,480,000. The Company's shares were quoted on the Australia Stock Exchange on 25 February 2013.

CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Group occurred during the financial year.

SUBSEQUENT EVENTS

No matters or circumstances, besides those disclosed at Note 25, 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.

FUTURE DEVELOPMENTS

The focus of the Group is to continue to develop its digital media / advertising in glasses-free 3D (autostereoscopic) and lottery outlet activities, and the Board will be reviewing potential acquisitions that have the potential to add value to the Group. The future developments is dependent on the ability of the Group to raise additional funds from the capital markets and also depends on the success of the funds raised from the prospectus currently outstanding and the listing on the Australia Stock Exchange.

REVIEW OF FINANCIAL POSITION

The net equity of the Group is $308,129 at 31 December 2012.

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

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of each of CIMC's directors and senior management for the year ended 31 December 2012. The Group's policy for determining the nature and amount of emoluments of board members and senior executives of the Group is set out below.

The directors review the remuneration package of all directors and executive officers 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 for directors, fees;
- For sales staff, commissions;
- Bonus payments relating to performance;
- Benefits- including provision of superannuation; and
- Options, once available.

All staff members are employed on standard employment contracts with normal notice and terminations provisions.

The emoluments of the directors of the parent entity and each of the executive officers receiving the highest emoluments for the parent and economic entity are as follows:

Non Exec Directors	Fees	Super	Options	Total	Performance Component
Loui Kotsopoulos	-	-	-	-	-
Juewen Li[(2)]	-	-	-	-	-
Pui Kit Lam[(2)]	-	-	-	-	-
Min Qiu[(3)]	-	-	-	-	-
Bing He[(4)]	-	-	-	-	-

Exec Directors	Salary	Super	Bonus	Options	Total	Performance Component
Con Unerkov	-	-	-	-	-	-
Bing He[(4)]	2,285	-	-	-	2,285	-
Herbert Ying Chiu Lee[(1)]	-	-	-	-	-	-

Note:

(1) appointed onto the board on 15 October 2012
(2) resigned from the board on 3 December 2012
(3) removed from the board on 5 December 2012
(4) became a non-executive director on 1 September 2012

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

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 in Note 24 of the financial statements.

IMDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the Company did not have a contract insuring the directors of the Company, the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

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 economic entity 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 39 of the financial report.

Signed in accordance with a resolution of the directors.

Con Unerkov

Con Unerkov
Director

Adelaide, 28 March 2013

Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	Group 2012 $	Group 2011 $
REVENUE			
Revenue from operating activities		21,550	107,005
Interest income		2	200
Other income	2	164,313	-
		185,865	107,205
EXPENSES			
Raw materials and consumables used		-	(10,513)
Employee benefits expense		(22,143)	(25,874)
Depreciation expense		(70,165)	(94,633)
Professional and consulting expense		(55,621)	(128,539)
Loss on financial assets designed at fair value through profit and loss		(455,815)	(47,140)
Production expense		-	(89,357)
Travel and accommodation expense		(21,294)	(19,703)
Other expenses		(34,505)	(33,424)
Finance costs		(11,252)	(12,866)
Total expenses costs		(670,795)	(462,049)
LOSS BEFORE INCOME TAX	3	(484,930)	(354,844)
Income tax expense	4	-	-
LOSS FOR THE YEAR AFTER INCOME TAX EXPENSE		(484,930)	(354,844)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		49,173	(47,949)
Other comprehensive income for the year, net of tax		49,173	(47,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(435,757)	(402,793)
Loss for the year attributable to			
Non-controlling interest		(8,188)	19,629
Owners of China Integrated Media Corporation Limited		(476,742)	(374,473)
		(484,930)	(354,844)
Total comprehensive income for the year attributable to			
Non-controlling interest		(8,188)	19,629
Owners of China Integrated Media Corporation Limited		(427,569)	(422,422)
		(435,757)	(402,793)
Loss per share	6		
Basic		0.01	0.01
Diluted		0.01	0.01

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 31 December 2012

	Notes	Group 2012 $	Group 2011 $
CURRENT ASSETS			
Cash and cash equivalents		26,267	20,367
Trade and other receivables	7	37,266	352,834
Inventories	8	998,313	7,322
Financial assets at fair value through profit and loss	9	629,354	536,485
Other assets	10	46,095	248,820
Total current assets		1,737,295	1,165,828
NON CURRENT ASSETS			
Plant and equipment	11	2,486	1,486,957
Total non current assets		2,486	1,486,957
TOTAL ASSETS		1,739,781	2,652,785
CURRENT LIABILITIES			
Borrowings	12	1,162,880	1,363,422
Other liabilities	13	267,489	522,696
Provisions	14	1,283	-
Total current liabilities		1,431,652	1,886,118
NET ASSETS		308,129	766,667
EQUITY			
Issued capital	16	1,552,475	1,552,475
Reserves	17	(69,120)	(118,293)
Accumulated losses	18	(1,175,226)	(698,484)
Equity attributable to the owners of China Integrated Media Corporation Limited		308,129	735,698
Non controlling interests		-	30,969
TOTAL EQUITY		308,129	766,667

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2012

GROUP	Issued Capital $	Accumulated Losses $	Foreign Currency Translation $	Non-Controlling interests $	Total $
Balance at 1 January 2011	1,165,475	(324,011)	(70,344)	11,340	782,460
Loss for the year	-	(374,473)	-	19,629	(354,844)
Other comprehensive income, net of tax	-	-	(47,949)	-	(47,949)
Total comprehensive income for the year	-	(374,473)	(47,949)	19,629	(402,793)
Transactions with owners in their capacity as owners					
Issue of shares for cash	350,000	-	-	-	350,000
Issue of shares for services	37,000	-	-	-	37,000
Balance at 31 December 2011	1,552,475	(698,484)	(118,293)	30,969	766,667

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation $	Non-Controlling interests $	Total $
Balance at 1 January 2012	1,552,475	(698,484)	(118,293)	30,969	766,667
Loss for the year	-	(476,742)	-	(8,188)	(484,930)
Other comprehensive income, net of tax	-	-	49,173		49,173
Total comprehensive income for the year	-	(476,742)	49,173	(8,188)	(435,757)
Changes in ownership interests of subsidiaries					
Disposal of subsidiary with non controlling interests	-	-	-	(22,781)	(22,781)
Balance at 31 December 2012	1,552,475	(1,175,226)	(69,120)	-	308,129

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2012

	Notes	Group 2012 $	Group 2011 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Net loss		(476,742)	(374,473)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation		70,165	94,633
Unrealized loss on marketable securities		212,945	47,140
Gain / (loss) on disposal of subsidiaries		(129,104)	-
Gain on disposal of sign boards		(35,209)	-
Profit attributable to minority interest		(8,188)	19,629
Net cashflows from changes in working capital	23	(1,094,990)	948,232
NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES		(1,461,123)	735,161
CASH INFLOWS FROM INVESTING ACTIVITIES			
Disposal / (Purchase) of plant and equipment		1,449,515	(1,055,377)
Disposal of subsidiaries, net of cash		(1,662)	-
Investment in subsidiaries		-	-
NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES		1,447,853	(1,055,377)
NET CASH FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	387,000
NET CASH INFLOWS FROM FINANCING ACTIVITIES		-	387,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(13,270)	66,784
Effect of exchange rate changes on cash and cash equivalents		19,170	(47,949)
Cash and cash equivalents at the beginning of the financial year		20,367	1,532
CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR		26,267	20,367

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for for-profit entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report covers the entity of China Integrated Media Corporation Limited ('CIMC") and controlled entities. CIMC is a public company limited by shares, incorporated and domiciled in Australia. CIMC is an investment holding company and its subsidiaries carry out the business of the Group in Australia, Malaysia, Hong Kong and China.

The financial report was authorized for issue, in accordance with a resolution of directors, on 28 March 2013.

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

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed at note 26.

(a) Basis of Preparation

The 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

A controlled entity is any entity controlled by CIMC. Control exists where CIMC has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with CIMC to achieve the objectives of CIMC. A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a 31 December financial year end.

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of Consolidation (continued)

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 equity. 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) 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 balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities an their carrying amounts in the financial statements. No deferred income tax will be recognized 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.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized 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 realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

(d) Intangibles

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 controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at costs less accumulated impairment losses.

(e) 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, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) 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 economic entity are classified as finance leases.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

Finance leases are capitalized by recording an asset and a 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 economic entity will obtain ownership of the assets or over the tem of the lease.

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

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

(g) 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 to the Statement of Comprehensive Income.

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 assets belongs.

(h) 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. Realized and unrealized gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

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 amortized costs using the effective interest rate methods.

iv) Financial liabilities

Non-derivative financial liabilities are recognized at amortized costs, comprising original debt less principal payments and amortization.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments and Other Financial Assets (continued)

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, 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 recognized in the Statement of Comprehensive Income.

(i) Plant and Equipment

Plant and equipment are measured on the cost basis.

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 not 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 economic entity commencing from the time the assets is held ready for use.

Depreciation is calculated on a straight line basis to write off 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 s are generally as follows:

Class of fixed assets	Depreciation rate
Office Furniture and Equipment	3-5 years
Plant and Equipment	6 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 profit and loss account in the year of disposal.

(j) Foreign Currency Translation

The functional currency of each of the group's entity 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 balance sheet date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short term assets and liabilities, whether realized or unrealized, are included in profit from ordinary activities as they arise.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign Currency Translation (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. 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 reserve in equity.

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

(k) 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.

(l) Trade and others receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(m) 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.

(n) 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 the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fess 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 reporting date.

(o) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year together with entitlements arising from wages and salaries, annual leave which will be settled after one year, have been measured at their nominal amount plus related on-costs.

(q) Cash and Cash Equivalents

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

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

(s) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstance the GST is recognized as part of the cost of acquisition of the assets or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(t) 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.

(u) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

(w) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
The Group has applied AASB 2010-6 amendments from 1 January 2012. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the Group has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures
The Group has applied AASB 1054 from 1 January 2012. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The Group has applied AASB 2011-1 amendments from 1 January 2012. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New, revised or amending Accounting Standards and Interpretations adopted(continued)

AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets

The Group has applied AASB 2010-8 amendments from 1 January 2012. These amendments offer a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life.

(x) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2012. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 January 2015 but the impact of its adoption is yet to be assessed by the Group.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 January 2013 may have an impact where the Group has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New, revised or amending Accounting Standards and Interpretations adopted(continued)

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 January 2013 will not have a material impact on the Group.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 January 2013 will significantly increase the amount of disclosures required to be given by the Group such as significant judgments and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Group from 1 January 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 January 2013 will not have a material impact on the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New, revised or amending Accounting Standards and Interpretations adopted(continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 January 2013 is not expected to have a material impact on the Group as it currently does not employ a material level of staff within Australia

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 January 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Group.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 January 2013 will not have a material impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 January 2013 will impact the Group's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 January 2013 will increase the disclosures by the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New, revised or amending Accounting Standards and Interpretations adopted(continued)

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 January 2014 will not have a material impact on the Group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 ‘Income Taxes’; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 January 2013 will not have a material impact on the Group

(x) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, 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 judgements and estimates will seldom equal the related actual results. The judgements, 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) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Critical accounting judgements, estimates and assumptions (continued)

(ii) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. 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 debtors financial position.

(iii) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

(iv) Fair value and hierarchy of financial instruments

The Group is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

(v) 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 event. 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.

(vi) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. 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.

2. OTHER INCOME

	Group 2012 $	2011 $
Net gain on disposal of plant and equipment	35,209	-
Net gain on disposal of subsidiaries	129,104	-
	164,313	-

3. LOSS FROM ORDINARY ACTIVITIES

	Group 2012 $	2011 $
Finance Costs:		
- Related party	3,200	3,199
- Loan fee	-	1,600
- Convertible notes	8,052	8,067
Total finance costs	11,252	12,866
Depreciation of non-current assets:		
- Office Furniture and Equipment	5,789	8,800
- Plant and Equipment	64,376	85,833
Total depreciation	70,165	94,633
Rental expenses on operation lease	19,333	13,207
Auditor remuneration for:		
- Audit services	3,200	2,800
- Other services	715	-
Total auditor remuneration	3,915	2,800

4. INCOME TAX

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

	Group 2012 $	2011 $
Income tax benefit on loss before income tax at 16.5%-30%	70,971	85,981
Add/(less) the tax effect of:	-	-
Permanent differences	-	-
Timing difference not brought to account	-	-
Tax losses not brought to account	(70,971)	(85,981)
Income tax expense / (benefit)	-	-

4. INCOME TAX (Continued)

(b) Deferred tax assets not brought to account as an asset:

	Group 2012 $	Group 2011 $
Income tax	70,971	85,981
Capital loss	-	-
Total	70,971	85,981

The taxation benefit of tax losses and timing differences not brought to account will only by obtained if:

i) Assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realized;
ii) Conditions for deductibility imposed by the law are complied with, and
iii) No changes in tax legislation adversely affect the realization of the benefit from the deductions.

5. DIVIDENDS

No dividends were declared and paid during the financial year (2011: Nil).

6. LOSS PER SHARE

The loss per share was calculated based on the weighted average of 35,012,833 (2011: 34,316,367) shares outstanding during the financial year.

7. TRADE AND OTHER RECEIVABLES

	Group 2012 $	Group 2011 $
Trade receivables	124	127
Other receivables	36,838	266,863
Related party receivables	304	85,844
	37,266	352,834

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

8. INVENTORIES

	Group 2012 $	Group 2011 $
Finished goods – at cost	998,313	7,322

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group	
	2012	2011
	$	$
Ordinary shares – designated at fair value through profit and loss	629,354	536,485

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

	Group	
	2012	2011
	$	$
Opening fair value	536,485	584,434-
Additions	843,418	-
Disposal	(536,485)	-
Exchange loss	(1,119)	(809)
Devaluation	(212,945)	(47,140)
	629,354	536,485

10. OTHER ASSETS

	Group	
	2012	2011
	$	$
Prepayments	46,095	46,095
Deposits	-	202,725
	46,095	248,820

11. PLANT AND EQUIPMENT

	Group	
	2012	2011
	$	$
Office Furniture and Equipment – at cost	8,321	28,611
Less: Accumulated Depreciation	5,835	20,336
	2,486	8,275
Plant and Equipment – at cost	-	1,564,515
Less: Accumulated Depreciation	-	85,833
	-	1,478,682
	2,486	1,486,957

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

11. PLANT AND EQUIPMENT (continued)

	Office Furniture and Equipment $	Plant and Equipment $	Total $
Balance at 1 January 2011	11,213	515,000	526,213
Additions	5,862	1,049,515	1,055,377
Depreciation Expense	(8,800)	(85,833)	(94,633)
Balance at 31 December 2011	8,275	1,478,682	1,486,957
Additions	-	-	-
Disposals	-	(1,414,306)	(1,414,306)
Depreciation Expense	(5,789)	(64,376)	(70,165)
Balance at 31 December 2012	2,486	-	2,486

12. BORROWINGS

	Group 2012 $	2011 $
Convertible Notes	87,100	87,100
Loans from related parties	1,075,780	1,276,322
	1,162,880	1,363,422

Convertible Notes

The Company has issued two convertible loans.

a) In February 2010, the Company issued A$20,000 convertible notes to 10 noteholders; these convertible notes are non-interests bearing, redeemable by August 2012 and convertible at the same terms as the Company's IPO when the Company has submitted its shares for initial public offering on the Australian Stock Exchange ("IPO"). In October 2012, the noteholders agreed to extend the loan for another year to August 2013.

b) In March 2010, the Company issued A$67,100 convertible notes to 32 noteholders and the terms of these convertible notes were an annual interest rate of 12%, redeemable at two year anniversary of the note by March – April 2012 and convertible on the same terms as the Company's future IPO. In October 2012, the noteholders agreed to extend the loan to 31 December 2013.

Loans from related parties

This balance includes the following;

a) An A$40,000 loan, plus accrued interests of A$12,125 as at the balance sheet date, from a company owned and controlled by a director. This loan is unsecured, bears interest at 8% per annum and payable on 31 December 2013. At the date of this report, the loan giver has agreed to convert this loan into shares of the Company at the same price and terms as set out in the Supplemental Prospectus issued on 21 December 2012 to a Prospectus lodged with ASX on 11 December 2012.

12. BORROWINGS (continued)

b) In November 2012, the Group entered into a loan agreement with a company owned by a Director to purchase 2D and 3D displays totalling HK$7,983,300 equivalent to $990,991 to be used for the Group's 3D advertising business. Pursuant to the loan agreement, the loan amount of $976,000 will be repaid by the issuance of the Company's shares at the same price and terms offered as at the time the Shares are listed on the Australia Stock Exchange ("ASX"), provided that these shares are listed on the ASX by 31 December 2013, otherwise an interests of 5.25% per annum will be charged on the unpaid amount.

c) The remaining balance of $32,287 has been loaned by directors of the Company. These amounts are non-interest bearing and repayable on demand.

13. OTHER LIABILITIES

	Group	
	2012	2011
	$	$
Accruals	6,299	106,369
Deposits	5,000	9,475
Related party payables	71,300	-
Other	184,890	406,852
	267,489	522,696

The related party payable relates to advances provided to related parties, repayable on demand.

14. PROVISIONS

	Group	
	2012	2011
	$	$
Employee benefits	1,283	-

15. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2012	2011
Parent Entity – China Integrated Media Corporation Limited	Australia		
Subsidiaries of China Integrated Media Corporation Limited			
CIMC Marketing Pty. Limited	Australia	100%	100%
China Media Limited	Hong Kong	100%	100%
Dragon Creative Limited*	Hong Kong	100%	nil
Premium Multimedia Sdn Bhd	Malaysia	nil	51%
Guangzhou Hwahe Culture Media Limited*	China	nil	100%

* held through declaration of trust, ownership transferred to China Integrated Media Corporation Limited in own right on 28 January 2013.

The two subsidiaries Premium Multimedia Sdn Bhd and Guangzhou Hwahe Culture Media Limited were disposed on 25 September 2012.

16 ISSUED CAPITAL

(a) Share capital

Group

	31 December 2012		31 December 2011	
	Number of shares	A$	Number of shares	A$
Ordinary Shares fully paid	35,012,833	1,552,475	35,012,833	1,552,475

(b) Movements in ordinary share capital

	Number of Shares	A$
31 December 2011 & 1 January 2012	35,012,833	1,552,475
Issue of shares during the year	-	-
31 December 2012	35,012,833	1,552,475

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.

(c) Options on issue

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

17. RESERVES

Foreign currency reserve
The reserve is used to recognize exchange difference arising from translation of the financial statements of foreign operations to Australian dollars.

18. ACCUMULATED LOSSES

	Group 31 December	
	2012 A$	2011 A$
Balance at beginning of financial year	698,484	324,011
Net loss for the year	476,742	374,473
Balance at the end of financial year	1,175,226	698,484

19. COMMITMENTS

Lease commitments - operating

	Group	
	2012	2011
	$	$
Committed at the reporting date but not recognized as liabilities, payable:		
Within one year	-	74,166
Two to five years	-	-
More than five years	-	-
	-	74,166

Operating lease commitments includes contracted amounts for various plant and equipment under non-cancellable operating leases within one to ten years with, in some cases, options to extend.

20. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance sheet date.

21. FINANCIAL RISK INSTRUMENTS

(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 and credit risk. The Group's financial instruments exposed to these risks are cash and short term deposits, receivables and trade payables.

The Group's managing director and chief financial officer monitor the Group's risks on an ongoing basis and report to the Board.

(b) Interest rate risk management

The Group are exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest and have fixed interest rate borrowings.

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, had interest rates been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would not materially change since the Group had immaterial cash funds/deposits against a fixed interest rate on borrowings.

21. FINANCIAL RISK INSTRUMENTS (continued)

(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 $629,354. An increase or decrease in price of 25%, while all other variables hold constant, would have a adverse / favourable effect on profit before tax of $162,500 per annum. The percentage change is based on the volatility of the price since acquisition.

(d) Foreign currency risk

The Group has net liabilities denominated in a foreign currency (Hong Kong Dollars) of $361,893 (assets $629,475 less liabilities $991,368) as at 31 December 2012. Based on this exposure, had the Australian dollar weakened or strengthened 5% against this foreign currency while all other variables hold constant, the Group's profit before tax would have been $18.095 higher or lower. The percentage change is the expected overall fluctuation of this foreign currency taking into account movements over the past 12 months. The actual foreign exchange loss for the year ended 31 December 2012 was $2,980.

(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.

(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. The Group's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date. The Group considers the credit standing of counterparties when making deposits to manage the credit risk. 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 balance sheet date to recognized financial assets, is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in balance sheet date and notes to the accounts.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Fair value of financial instruments
The following table details the Group's fair values of financial instruments categorized by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

21. FINANCIAL RISK INSTRUMENTS (continued)

2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Ordinary shares	629,354	-	-	629,354
Total assets	629,354	-	-	629,354

There were no transfers between levels during the financial year, nor were any Level 2 or 3 assets held at any stage.

22. RELATED PARTY TRANSACTIONS

Transactions with related parties include the following:

(a) Loan Facilities
As set out in Note 12, an A$40,000 loan plus accrued interests of A$12,125 as at the balance sheet date was provided by Intek Solutions Pty. Limited, a company owned and controlled by a Director, Mr. Con Unerkov. The loan is unsecured, bears interests at 8% per annum and is repayable on or before 31 December 2013. At the date of this report, the loan giver has agreed to convert this loan into shares of the Company at the same price and terms as set out in the Supplementary Prospectus issued on 21 December 2011 to a Prospectus lodged with the ASX on 11 December 2012.

(b) Lottery Rights Agreement
In June 2011, the Company entered into a Lottery Rights Agreement with Tidewell Limited, a company owned and controlled by Messrs. Con Unerkov and Bing He, both directors of the Company. This Lottery Rights Agreement transfers the right to manage and operate lottery outlets in one province / municipality in China, and the Company shall pay Tidewell certain share consideration based on the number of outlets opened and earnings achieved in three years.

(c) Equipment Purchase Agreement
In November 2012, the Group entered into a loan agreement with a company owned by our Director to purchase 2D and 3D displays totalling HK$7,983,300 equivalent to $990,991 to be used for the Group's 3D advertising business. Pursuant to the loan agreement, the loan amount of $976,000 will be repaid by the issuance of the Company's shares at the same price and terms offered as at the time the Shares are listed on the Australia Stock Exchange ("ASX"), provided that these shares are listed on the ASX by 31 December 2013, otherwise an interests of 5.25% per annum will be charged on the unpaid amount.

23. CASHFLOW INFORMATION

	Group Year ended 2012 $	Year ended 2011 $
CASHFLOWS FROM CHANGES IN WORKING CAPITAL		
(Increase)/decrease in assets:		
Marketable securities	(305,814)	809
Other receivable and deposit	18,062	(276,796)
Amount due from former subsidiaries	178,097	-
Amount due from related parties	17,661	620
Deposit for IPTV	202,725	(8,957)
Inventory	(990,991)	(7,322)
Account receivables	3	(127)
Due from a director	50,108	(67,873)
Increase / (Decrease) in liabilities:		
Other payables	(134,029)	108,469
Accrued expenses	(53,711)	71,680
Customer deposits	(2,475)	2,475
Deposit subscription	(2,000)	7,000
Loan from related parties	(72,626)	1,118,254
NET CASHFLOWS FROM CHANGES WORKING CAPITAL	(1,094,990)	948,232

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Personnel	Position	Appointed	Resigned
Con Unerkov	Chairman, CEO, Director	-	-
Herbert Ying Chiu Lee	Executive Director	15 Oct 2012	-
Bing HE	Non-executive Director	-	-
Loui Kotsopoulos	Non-executive Director	-	-
Juewen Li	Non-executive Director	-	3 Dec 2012
Pui Kit Lam	Non-executive Director	-	3 Dec 2012
Qiu Min	Non-executive Director	-	5 Dec 2012

Note:

(a) Remuneration

Remuneration of directors and key executives are set out on page 6 of the Directors' Report.

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

	31 December 2012 $
Short term benefits	2,285
Post employment benefits	-
Other long term benefits	-
Termination benefits	-
Share based payments	-
Total	2,285

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Shares – number of shares held by management

Personnel	1 January 2012	Bought	Sold	31 December 2012
Con Unerkov	220,000[2]	-	-	220,000
Herbert Ying Chiu Lee	-	8,336,266	-	8,336,266
Bing He	200,000[1]	-	-	200,000
Loui Kotsopoulos	10,000[3]	-	-	10,000
Pui Kit Lam	-	-	-	-
Juewen Li	-	-	-	-
Qiu Min	-	-	-	-

NOTE:

(1) As at 31 December 2012, Mr. Bing He directly held 200,000 shares in the Company and 2,714,847 shares in the Company indirectly through his 51% beneficial ownership in Tidewell Limited, which holds 49% interests in Jademan International Limited (“Jademan”). Jademan directly holds 10,863,734 shares in the Company.

(2) As at 31 December 2012, Mr. Con Unerkov directly held 200,000 shares in the Company and indirectly owns 10,000 shares in the Company each through, Intek Solutions Pty. Limited and Unerkov Enterprises Pty. Limited, both companies wholly owned by him. Mr. Unerkov also holds 2,608,383 shares in the Company indirectly through his 49% beneficial ownership in Tidewell Limited, which holds 49% interests in Jademan.

(3) As at 31 December 2012, Mr. Loui Kotsopoulos directly held 10,000 shares in the Company.

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

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

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following significant events have occurred subsequent to the balance sheet date:

a) On 12 December 2012 the issued another prospectus to raise funding from a minimum of A$3,000,000 to a maximum of A$5,000,000 at a price of A$0.20 per share. On 22 December 2012, the Company issued a supplemental prospectus and the prospectus was open on that date. On 14 December 2012, the Company applied to be quoted on the official list on the Australia Stock Exchange pursuant to the Supplemental Prospectus dated 22 December 2012. Pursuant to the Supplemental Prospectus, the offer was closed on 20 February 2013 where the Company raised a total of A$3,480,000. The Company’s shares were quoted on the Australia Stock Exchange on 25 February 2013.

b) On 22 February 2013, the Group paid a consultant A$100,000 by the issued 500,000 ordinary shares at an issuance price of A$0.20 per share in the Company.

No other matter or circumstance has arisen since 31 December 2012, 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.

26. PARENT ENTITY INFORMATION

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

Statement of Comprehensive Income

	Company 2012 $	Company 2011 $
Loss after income tax	(24,933)	(107,596)
Total comprehensive income	(24,933)	(107,596)

Statement of Financial Position

	Company 2012 $	Company 2011 $
Total current assets	1,572,328	1,609,061
Total assets	1,572,331	1,745,214
Total current liabilities	398,190	546,140
Total liabilities	398,190	546,140
Equity		
Issued Capital	1,552,475	1,552,475
Accumulated losses	(378,334)	(353,401)
Total equity	1,174,141	1,199,074

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 2012 and 31 December 2011

Capital commitments – property, plant and equipment
The parent entity has no capital commitments for property, plant and equipment as at 31 December 2012 and 31 December 2011.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for;

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

27. COMPARATIVE FIGURES

Certain comparative figures have been changed to conform to current year's presentation.

28. COMPANY DETAILS

The registered office and principal place of business is;

Suite 5, Level 2
Malcolm Reid Building
187 Rundle Street
Adelaide SA 5000

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 35 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 as at 31 December 2012; and

(iii) of their performance for the financial year ended on that date; 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 1;

(d) the audited remuneration disclosures set out on pages 6 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.

Con Unerkov
Director

Adelaide, 28 March 2013

PARTNERS

James W Perry CA

Michael D Gray CA

Brendon Skates CA

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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 statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2012 a summary of significant accounting policies and other explanatory notes and the directors' declaration for both China Integrated Media Corporation Limited and of the Group. The group comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected 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 the 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.

1st Floor 89-92 South Terrace
Adelaide South Australia 5000
Telephone: 08 8212 2366
Facsimile: 08 8231 5035
Email: grayperrydfk@dfkadel.com
Website: www.dfkadel.com

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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 the entity's and Group's financial position as at 31 December 2012 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 6 of the directors' report for the year ended 31 December 2012. The directors of the company 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 2012, complies with section 300A of the Corporations Acts 2001.

Chartered Accountants

James W Perry
Dated at Adelaide, South Australia this 28th day of March 2013.

GRAY PERRY - DFK
Chartered Accountants

PARTNERS
James W Perry CA
Michael D Gray CA
Brendon Skates CA

Auditor's Independence Declaration

As lead auditor for the review of China Integrated Media Corporation Limited for the year ended 31st December, 2012 I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of China Integrated Media Corporation Limited and the entities it controlled during the year ended 31st December, 2012.

Gray Perry DFK
Chartered Accountants

Partner
James Perry

Dated at Adelaide, South Australia this 28th day of March 2013.

1st Floor 89-92 South Terrace
Adelaide South Australia 5000
Telephone: 08 8212 2366
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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)
- 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.

The Board, during the reporting period had up to seven Directors and at the end of the period, comprises four Directors. The Board considers that one of these Directors, namely Mr. Loui Kotsopoulos satisfy the criteria for independence in the ASX recommendations while the other three Directors are 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 member, 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.

The Board does not currently comply with the recommendation that a majority of the Board should be independent Directors. However, the Board is of the view that the Board's current composition serves the interests of shareholders for the following reasons:

- all formal Board committees are comprised of a majority of non-executive Directors;
- under the Company's conflict-of-interest policy, all Directors have agreed not to participate in any decision in which they are conflicted;
- Mr. Loui Kotsopoulos is appointed as the Lead Independent Director to chair meetings involving any potential conflicts of interest; and
- after considering the needs of the Company and the board policies which have been put in place, it is the view of the Board that it is not in the interests of shareholders to incur the expense of additional independent Directors at this time.

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 Mr. Con Unerkov as both Chairman and CEO because:

- Mr. Unerkov is a major shareholder who has an in-depth knowledge of the Company's main operation, advertising and lottery gaming business in China, and valuable working relationships in China.

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 polices:

- established clear protocols for handling conflicts of interest;
- appointed Mr. Loui Kotsopoulos as Lead Independent Director to chair meetings involving any potential conflicts of interest; and

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.

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 controlled entity'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.

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
- was chaired by an independent director, who was not chair of the board
- had two member, Mr. Loui Kotsopoulos (chair) and Mr. Bing He.

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.

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 Board 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 Board also review the consolidated financial statements and other information distributed externally and accounting policies and practices.

The Directors review the performance of the external auditors and consider the re-appointment of the external auditors on an annual basis. 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 financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

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.chinamedia.com.au**, and the Company, **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 2012 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.

Principle 8 - Remunerate fairly and responsibly

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.

A performance evaluation for senior executives too 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 24 to the 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; and

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 members during the reporting period were Mr. Loui Kotsopoulos and Mr. Bing HE, Mr. Kotsopoulos, an independent director, is the chairman of the committee. 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 20 February 2013.

Distribution of equity securities

Ordinary share capital

- 52,912,833 fully paid ordinary shares are held by 382 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	-	-	-
5,001-10,000	274	2,740,000	5.18%
10,001-100,000	75	2,648,575	5.01%
> 100,001	33	47,524,258	89.82%
	382	52,912,833	100.00%

Substantial shareholders as at 20 February 2013

Ordinary shareholders	Fully Paid Number	%
Jademan International Limited	11,213,734	21.19%
Marvel Digital Limited	10,370,000	19.59%
Herbert Ying Chiu Lee	8,336,266	15.75%

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid Number	%
Jademan International Limited	11,213,734	21.19%
Marvel Digital Limited	10,370,000	19.59%
Herbert Ying Chiu Lee	8,336,266	15.75%
Foreland Global Ltd	2,500,000	4.72%
Zhang Tian You	2,472,533	4.67%
Chin Foong Lin	1,500,000	2.83%
Lee Edwin Ying Yuen	1,200,000	2.27%
Marisa Unerkov	1,040,000	1.97%
Paul Unerkov	1,000,000	1.89%
Valdarno Pty Ltd	1,000,000	1.89%
Mullins Consulting Trust	785,000	1.48%
Wong Heng Soon	700,000	1.32%
Asiarim Associates Ltd	695,000	1.31%
Zhang Tian Yiu	500,000	0.94%
John D Chataway Nominees Pty Ltd	343,075	0.65%
Con Unerkov	300,000	0.57%
Northern Food Discounters Pty Ltd	300,000	0.57%
Maveric Superfund	300,000	0.57%
Lee Chan Wee	300,000	0.57%
Intek Solution Pty Ltd	260,000	0.49%
	45,115,608	85.25%

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

There are 52,050 ordinary shares that are held in voluntary escrow. The escrow period over this parcel ends on the 25 May 2014.