

CHINA INTEGRATED MEDIA CORPORATION LIMITED

ACN 132 653 948

Appendix 4E

Preliminary Final Report

For the Financial Year Ended 31 December 2015

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Appendix 4E Preliminary Final Report

Name of entity

China Integrated Media Corporation Limited (the “Company”)

ACN 132 653 948

Financial year ended 31 December 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Group		Movements	Movements
	Year ended 31 December 2015	Year ended 31 December 2014		
	\$	\$	\$	%
Revenue from ordinary activities	6,379,036	594,886	5,784,150	972
Profit / (loss) from ordinary activities after tax attributable to members	2,378,276	(899,508)	3,277,784	364
Total comprehensive income for the year attributable to members	2,524,409	(531,501)	3,055,910	575

Dividend	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

China Integrated Media Corporation Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group	
	Notes	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		6,883,196	2,227,715
Inventories		698,916	-
Trade and other receivables		992,524	222,427
Financial assets at fair value through profit or loss		-	614,133
Other assets		788,146	52,642
Total current assets		<u>9,362,782</u>	<u>3,116,917</u>
NON-CURRENT ASSETS			
Plant and equipment		1,672,702	275,436
Intangible assets and goodwill		25,545,094	-
Development projects		690,889	-
Total non-current assets		<u>27,908,685</u>	<u>275,436</u>
TOTAL ASSETS		<u>37,271,467</u>	<u>3,392,353</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other liabilities		477,618	83,326
Trade deposits received		337,739	-
Amount due to ultimate holding company		875,939	-
Provisions		29,230	3,090
Total current liabilities		<u>1,720,526</u>	<u>86,416</u>
NON-CURRENT LIABILITY			
Amount due to ultimate holding company		2,694,900	-
Deferred tax liabilities		933,853	-
Contingent payable liability		20,836,176	-
Total non-current liability		<u>24,464,929</u>	<u>-</u>
TOTAL LIABILITIES		<u>26,185,455</u>	<u>86,416</u>
NET ASSETS		<u>11,086,012</u>	<u>3,305,937</u>
EQUITY			
Issued capital	7	10,410,279	5,132,475
Reserve		735,630	589,497
Accumulated losses	8	<u>(37,759)</u>	<u>(2,416,035)</u>
Equity attributable to owners of the Company		11,108,150	3,305,937
Non-controlling interest		<u>(22,138)</u>	<u>-</u>
TOTAL EQUITY		<u>11,086,012</u>	<u>3,305,937</u>

China Integrated Media Corporation Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group	
		2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss)		1,999,964	(899,508)
Adjustments to reconcile net profit / (loss) to net cash generated from operating activities:			
Depreciation and amortisation		383,635	124,335
Unrealised loss on marketable securities		-	551,787
Gain on disposal of financial assets at fair value through profit or loss		(507,694)	-
Net cash inflows from changes in working capital	9	<u>1,001,290</u>	<u>664,575</u>
NET CASH INFLOWS FROM OPERATING ACTIVITIES		<u>2,877,195</u>	<u>441,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		52,341	158,925
Proceeds from disposal of financial assets at fair value through profit or loss		1,121,827	-
Net cash acquired from acquisition of subsidiaries		871,070	-
Acquisition of plant and equipment		(77,377)	(4,187)
Development expenditure		<u>(235,268)</u>	<u>-</u>
NET CASH INFLOWS FROM INVESTING ACTIVITIES		<u>1,732,593</u>	<u>154,738</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of advances to related parties		<u>(90,464)</u>	<u>-</u>
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		<u>(90,464)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,519,324	595,927
Effect of exchange rate changes on cash and cash equivalents		136,157	209,031
Cash and cash equivalents at the beginning of financial year		2,227,715	1,422,757
CASH AND CASH EQUIVALENT AT THE END OF FINANCIAL YEAR		<u><u>6,883,196</u></u>	<u><u>2,227,715</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 1: Basis of Preparation

The financial report includes China Integrated Media Corporation Limited and its controlled entities as a consolidated entity ("Consolidated Group" or "Group"). China Integrated Media Corporation Limited ("Parent" or "Company") is a company limited by shares, incorporated and domiciled in Australia.

The Appendix 4E has been prepared in accordance with the ASX Listing Rules. Information included in the Appendix 4E has been extracted from the Group's full financial report, and is presented in Australian dollars.

A full description of the accounting policies adopted by the Group can be found in the Group's full financial report. These accounting policies have been consistently applied by each entity in the Group.

The full financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

NOTE 2: Compliance with AIFRS

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial report of the consolidated entity has been prepared on the basis of AIFRS which also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

NOTE 3: Details of Dividends or Distributions

No dividend was paid or proposed during the year.

NOTE 4: Details of Dividend/Distribution Reinvestment Plan

There was no dividend/distribution reinvestment plan in operation during the year.

NOTE 5: Ratios

Earnings / (loss) per share

	2015 cent	2014 cent
Basic earnings per share (cents per share)	4.0	(1.7)

Net tangible asset backing

	2015 cent	2014 cent
Net tangible asset backing per ordinary security (cents per security)	14.0	6.3

NOTE 6: Profit / (loss) from Ordinary Activities

	Group	
	Year ended 31 December 2015 \$	Year ended 31 December 2014 \$
Employee benefits expenses:		
- Wages and salaries	1,061,471	181,522
- Defined contribution superannuation plan expenses	20,641	13,238
- Less: Labour cost allocated to projects and development	(132,947)	-
- Non-executive directors' remuneration	32,456	2,839
Total employee benefit expenses	<u>981,621</u>	<u>197,599</u>
Depreciation and amortisation of non-current assets:		
- Office furniture and equipment	207,891	41,473
- Leasehold improvements	170,220	82,862
- Intangible assets	5,524	-
Total depreciation and amortisation	<u>383,635</u>	<u>124,335</u>
Loss on financial assets at fair value through profit or loss	-	551,787
Rental expense on operating lease	155,365	16,820
Auditor's remuneration for:		
- Audit and review of financial statements		
- auditor of the Group	29,499	33,260
- auditors of the subsidiaries	2,077	3,456
- auditor for other reporting purposes	42,092	-
Total auditors' remuneration	<u>73,668</u>	<u>36,716</u>

NOTE 7: Issued Capital

(a) Share Capital

Group and Company

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

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 winding up. The fully paid ordinary shares have no par value.

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

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

(b) Options on issue

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

NOTE 8: Accumulated Losses

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

NOTE 9: Cash Flow Information

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

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NOTE 10: Control Gained or Lost Over Entities During the Year

10.1 Name of entity (or group of entities) over which control was gained	Conco International Co., Ltd. and its subsidiary	Marvel Digital Limited and its subsidiaries
10.2 Date control was gained	9 February 2015	30 September 2015
10.3 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the current period from the date of gain of control	\$42,452	\$2,985,569
10.4 Name of entity (or group of entities) over which control was lost	N/A	N/A
10.5 Date control was lost	N/A	N/A
10.6 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A	N/A

NOTE 11: Contingencies

On 30 September 2015, the Company acquired all of the issued shares of Marvel Digital Limited (“MDL”), which is a company principally engaged in the development of autostereoscopic 3D display technology, 2D to 3D conversion software and digital content management system. The consideration paid was \$5,216,213 which was the amount of the net asset value of MDL. The consideration was settled by the Company issuing 26,081,065 shares at \$0.20 each. The purchase agreement also provides that a deferred performance fee calculated at five times of the average annualized consolidated profits of MDL for the two years’ period from the completion date less the initial purchase consideration. The Group has included approximately HK\$115,980,000, equivalent to \$21,396,339 as contingent consideration, which represents its fair value at the date of acquisition. The fair value of contingent consideration is based on an independent valuation which is determined by using the discounted cash flow method on the probability-weighted financial projection of MDL for the period from 1 October 2015 to 30 September 2017.

Other than noted above, there are no other material contingent liabilities or contingent assets of the Group at balance sheet date.

COMMENTARY ON THE RESULTS FOR THE YEAR 2015

General review

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

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

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

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

Financial review

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

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

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

