# CHINA INTEGRATED MEDIA CORPORATION LIMITED

ACN 132 653 948

## Annual Report

## For the Financial Year Ended 31 December 2010

# Contents

# Directors' Report

The directors of China Integrated Media Corporation Limited ("CIMC") present their report on the Company for the year ended 31 December 2010.

## Directors

The names of the directors in office at any time during the year ended 31 December 2010, and up to the date of this report are:

| Director | Appointed | Resigned |
|---|---|---|
| Con UNERKOV | - | - |
| Loui KOTSOPOULOS | - | - |
| Bing HE | - | - |
| Juewen LI | 10 March 2010 | - |
| LAM Pui Kit | 10 March 2011 | - |
| QIU Min | 10 March 2011 | - |

## 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 is the also the President, Chief Executive Officer and Director of China Media Group Corporation, a fully reporting company quoted in the United States of America and the parent company of CIMC.

Mr. Unerkov has extensive experience in China's media markets, having worked in China's telecom, media and advertising sectors. Mr. Unerkov holds a Bachelor of Applied Science in Computer Studies from University of South Australia.

**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 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 inot a multinational conglomerate engaging in import and export trading, industrial investment, property development and hotel management.

**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.

**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.

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings and committee meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the current financial year 13 board meetings were held.

| Director | Eligible | Attended |
|---|---|---|
| Con UNERKOV | 13 | 13 |
| Loui KOTSOPOULOS | 13 | 12 |
| Bin HE | 13 | 10 |
| Juewen LI | 12 | 0 |

### Contracts with Directors
The Company has not entered into any contract with a director or a related party of a director.

### Company Secretary
The name of the company secretary in office at any time during year ended 31 December 2010 is:

| Director | Appointed | Resigned |
|---|---|---|
| Con UNERKOV | - | - |

## PRINCIPAL ACTIVITIES

The Group's principal activities during the course of the financial year were the development of the television business and the digital media business.

The Company focuses its television interest and digital media in the following areas:

- "TV Channels":- responsible for managing the group's current TV operations and to pursue new opportunities in the areas of Internet Protocol Television, Satellite TV, Video on Demand and Mobile TV;
- "Advertising":- responsible for pursuing TV Advertising to service our own TV Channels / Operations and the buying and selling of airtime for other TV channels;
- "Content Provisioning":- responsible for production of our own content that will be made available to service our own TV channels / operations, sales of our production content to other TV channels / operations in China and abroad and partner with existing content houses to service our own TV channels / operations; and
- "Digital Media Business":- responsible for pursuing digital interactive media systems and displays / screens for advertising and media business.

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 $173,734.

## DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. With respect to the 2010 financial year, the directors have recommended that no dividend be paid.

## REVIEW OF OPERATIONS

During the financial year the Group did not record any revenue (2009: A$288) and recorded a loss of the year of A$173,734 (2009: A$150,277).

During the year the Company was still developing its IPTV business in China and focused on production of education content for the IPTV educational channel incurring a cost of A$96,844. The Company intends to pursue the IPTV business in channel by investing and developing in its own IPTV platform in the coming year, subject to availability of resources.

For the digital signage business, the Company incurred a loss of A$184,247 during the year on our Australian investment in Touche Adaptive Systems Pty. Ltd.. We have decided to focus our digital signage business in China, Hong Kong and Malaysia, as we believe that there is greater potential in these markets. We have also invested through a capital lease in 400 mini display boards in Malaysia, located in primary and secondary schools and will focus on selling signage on these boards in 2011. These mini boards will give us an entry into the Malaysia outdoor media and advertising business.

The Group also recognized an unrealized gain of A$179,063 from its investment in marketable securities.

The Company recognised a loss after tax for the financial year of $208,971 (2009: A$36,834).

## CHANGES IN THE STATE OF AFFAIRS

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

## SUBSEQUENT EVENTS

No matters or circumstances, besides those disclosed at note 20, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## FUTURE DEVELOPMENTS

The focus of the Group is to continue to develop its television and digital media activities, and the board will be reviewing potential acquisitions that have the potential to add value to the Group.

## REVIEW OF FINANCIAL POSITION

The net equity of the Group is $782,460 at 31 December 2010.

## 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.

## RENUMERATION 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 2010. The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

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 Company and to provide a 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 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 | - | - | - | - | - |

| Exec Directors | Salary | Super | Bonus | Options | Total | Performance Component |
|---|---|---|---|---|---|---|
| Con Unerkov | - | - | - | - | - | - |
| Bing He | 5,004 | - | - | - | 5,004 | - |

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 9 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 28 of the financial report.

Signed in accordance with a resolution of the directors.

/s/ Con Unerkov

Con Unerkov
Director

Adelaide, 18 May 2011

## Income Statement
## For the year ended 31 December 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ |
| REVENUE | | | | | |
| Revenue from operating activities | | - | 288 | - | - |
| Management services income | | 5,000 | - | - | - |
| Interest income | | 6 | 577 | - | 569 |
| Total revenue | | 5,006 | 865 | - | 569 |
| EXPENDITURES | | | | | |
| Consultancy fee | | 25,888 | 3,000 | 3,355 | 3,000 |
| Cost of revenue | | - | 353 | - | - |
| Employee costs | | 12,821 | 19,070 | - | - |
| Occupancy costs | | 4,191 | 1,685 | 2,827 | 567 |
| TV Production costs | | 96,844 | 41,475 | - | - |
| Loss on investment | | 184,247 | - | 184,247 | - |
| Other expenses | | 9,852 | 13,809 | 6,933 | 4,273 |
| Registration fee | | 1,665 | 1,737 | 1,029 | 1,065 |
| Travel and accommodation expenses | | 14,389 | 33,794 | 1,325 | 25,405 |
| Written off goodwill expenses | | 4,194 | 15,572 | - | - |
| Total expenditure costs | | 354,091 | 130,495 | 199,716 | 34,310 |
| EBITA | | (349,085) | (129,630) | (199,716) | (33,741) |
| Depreciation and amortization | | (6,620) | (2,817) | - | - |
| Exchange profit (loss) | | 10,468 | (15,306) | - | (569) |
| Finance costs | | (9,255) | (2,524) | (9,255) | (2,524) |
| Unrealized gain on marketable securities | | 179,063 | - | - | - |
| LOSS BEFORE INCOME TAX | | (175,429) | (150,277) | (208,971) | (36,834) |
| Taxation expense | 3 | - | - | - | - |
| Loss for the year / period | | (175,429) | (150,277) | (208,971) | (36,834) |
| Profit attributable to minority equity interests | | 1,695 | - | - | - |
| Loss for the year/period attributable to members of the Company | | (173,734) | (150,277) | (208,971) | (36,834) |
| Loss per share | 5 | | | | |
| Basic | | 0.006 | 0.00 | 0.007 | 0.00 |
| Diluted | | 0.006 | N/A | 0.007 | N/A |

The accompanying notes form part of these financial statements.

## Balance Sheet
## As at 31 December 2010

| | Notes | Group 2010 A$ | Group 2009 A$ | Company 2010 A$ | Company 2009 A$ |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | | 1,532 | 17,120 | 755 | 16,261 |
| Marketable securities | | 584,434 | - | - | - |
| Other receivables and deposits | | 36,472 | 1,246 | 32,172 | 1,030 |
| Deposits for IPTV | 6 | 193,768 | 138,350 | - | - |
| Inventory | | - | 2,109 | - | 425 |
| Due from subsidiaries | 10 | - | - | 1,229,483 | 201,373 |
| Due from related parties | 7 | 18,281 | 3,050 | - | 21,916 |
| Total current assets | | 834,487 | 161,875 | 1,262,410 | 241,005 |
| NON CURRENT ASSETS | | | | | |
| Property and equipment, net | 8 | 526,213 | 15,877 | - | - |
| Investment in subsidiaries | 9 | - | - | 136,153 | 119,157 |
| Total non current assets | | 526,213 | 15,877 | 136,153 | 119,157 |
| TOTAL ASSETS | | 1,360,700 | 177,752 | 1,398,563 | 360,162 |
| CURRENT LIABILITIES | | | | | |
| Other payables | | 298,383 | 191,334 | 217,581 | 143,816 |
| Accrued liabilities | | 34,689 | 380 | 4,000 | - |
| Due to subsidiaries | 10 | - | - | 119,156 | 119,156 |
| Due to directors | | 112,343 | 200 | 5,331 | 200 |
| Convertible loans | 11 | 87,100 | - | 87,100 | - |
| Loan from a related party | 12 | 45,725 | 42,524 | 45,725 | 42,524 |
| Total current liabilities | | 578,240 | 234,438 | 478,893 | 305,696 |
| NET ASSETS / (LIABILITIES) | | 782,460 | (56,686) | 919,670 | 54,466 |
| EQUITY | | | | | |
| Issued capital | 13 | 1,165,475 | 91,300 | 1,165,475 | 91,300 |
| Accumulated losses | 14 | (324,011) | (150,277) | (245,805) | (36,834) |
| Comprehensive income | | (70,344) | 2,291 | - | - |
| Non-controlling minority interests | | 11,340 | - | - | - |
| TOTAL EQUITY / (DEFICIT) | | 782,460 | (56,686) | 919,670 | 54,466 |

The accompanying notes form part of these financial statements.

## Statement of Changes in Shareholders' Equity
## For the year ended 31 December 2010

| GROUP | Issued Capital A$ | Accumulated Losses A$ | Comprehensive Income A$ | Minority interests A$ | Total A$ |
|---|---|---|---|---|---|
| At 8 August 2008 (inception) | 1,000 | - | - | - | 1,000 |
| Issuance of shares for services | 3,000 | - | - | - | 3,000 |
| Issuance of shares, net of expenses | 87,300 | - | - | - | 87,300 |
| Loss for the period | - | (150,277) | - | - | (150,277) |
| Comprehensive income | - | - | 2,291 | - | 2,291 |
| 31 December 2009 and 1 January 2010 | 91,300 | (150,277) | 2,291 | - | (56,686) |
| Issuance of shares for acquisition of subsidiaries | 203,295 | - | - | - | 203,295 |
| Acquisition of subsidiary | - | - | - | 13,035 | 13,035 |
| Issuance of share for acquisition of assets | 870,880 | - | - | - | 870,880 |
| Loss for the year | - | (173,734) | - | - | (173,734) |
| Comprehensive income | - | - | (72,635) | - | (72,635) |
| Loss for the year minority interests | - | - | - | (1,695) | (1,695) |
| 31 December 2010 | 1,165,475 | (324,011) | (70,344) | 11,340 | 782,460 |

| COMPANY | Issued Capital A$ | Accumulated Losses A$ | Comprehensive Income A$ | Minority Interests A$ | Total A$ |
|---|---|---|---|---|---|
| At 8 August 2008 (inception) | 1,000 | - | - | - | 1,000 |
| Issuance of shares for services | 3,000 | - | - | - | 3,000 |
| Issuance of shares, net of expenses | 87,300 | - | - | - | 87,300 |
| Loss for the period | - | (36,834) | - | - | (36,834) |
| 31 December 2009 and 1 January 2010 | 91,300 | (36,834) | - | - | 54,466 |
| Issuance of shares for acquisition of subsidiaries | 203,295 | - | - | - | 203,295 |
| Issuance of share for acquisition of assets | 870,880 | - | - | - | 870,880 |
| Loss for the year | - | (208,971) | - | - | (208,971) |
| 31 December 2010 | 1,165,475 | (245,805) | - | - | 919,670 |

The accompanying notes form part of these financial statements.

## Cash Flow Statement
## For the year ended 31 December 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ |
| CASHFLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net loss | | (173,734) | (150,277) | (208,971) | (36,834) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | | | | |
| Depreciation | | 6,620 | 2,817 | - | - |
| Write-off goodwill | | 4,194 | 15,572 | - | - |
| Unrealized gain on marketable securities | | (179,063) | - | - | - |
| Loss on investment | | 184,247 | - | 184,247 | - |
| Profit attributable to minority interest | | (1,695) | - | - | - |
| Net cashflows from changes in working capital | 19 | 205,545 | 166,883 | 7,166 | 80,952 |
| NET CASH INFLOWS FROM OPERATING ACTIVITIES | | 46,114 | 34,995 | (17,558) | 44,118 |
| CASH INFLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property and equipment | | (17,635) | (15,366) | - | - |
| Acquisition of subsidiaries, net of cash | | - | 23,056 | - | - |
| Investment in subsidiaries | | (4,194) | (119,156) | (16,996) | (119,157) |
| NET CASH OUTFLOWS FROM INVESTING ACTIVITIES | | (21,829) | (111,466) | (16,996) | (119,157) |
| NET CASH FROM FINANCING ACTIVITIES | | | | | |
| Minority interest upon acquisition of subsidiary | | 13,035 | - | - | - |
| Proceeds from disposal of investment | | 19,048 | - | 19,048 | - |
| Proceeds from disposal of property and equipment | | 679 | - | - | - |
| Proceeds from issuance of shares | | - | 91,300 | - | 91,300 |
| NET CASH OUTFLOWS FROM FINANCING ACTIVITIES | | 32,762 | 91,300 | 19,408 | 91,300 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 57,047 | 14,829 | (15,506) | 16,261 |
| Effect of exchange rate changes on cash and cash equivalents | | (72,635) | 2,291 | - | - |
| Cash and cash equivalents at the beginning of the financial year | | 17,120 | - | 16,261 | - |
| CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR | | 1,532 | 17,120 | 755 | 16,261 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2010

## 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.

The financial report covers the entity of China Integrated Media Corporation Limited ('CIMC") and controlled entities and CIMC as an individual entity. 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 of CIMC and controlled entities and CIMC as an individual parent entity comply with all Australian equivalents to International Financial Report Standards (AIFIRS) in their entirety.

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.

### (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 9 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of CIMC.

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

### (c) Income Tax

The charge for current income tax is base don 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 income statement 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.

### (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.

Finance leases are capitalize 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 income statement.

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 income statement 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.

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 income statement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 including buildings and capitalized leased assets, but excluding freehold land, are depreciated over their estimated useful lives to the economic entity commencing from the time the assets is held ready for use. Leasehold improvements are amortized over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets s are generally as follows:

| Class of fixed assets | Depreciation rate |
|---|---|
| Plant and equipment | 3-5 years |
| Software | 3-5 years |
| Mini advertising boards | 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 Transactions and Balance

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 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 form ordinary activities as they arise.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 income statement 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 balance sheet 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.

(p) Employee Benefits

Provision is made for the Company'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.

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

(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 Balance Sheet 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.

(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 behavioural 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 consolidated entity'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.

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

(w) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2010 reporting date, of which none have been early adopted. None of these are expected to materially affect the entity's financial statements.

## 2. LOSS FROM ORDINARY ACTIVITIES

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ |
| Finance Costs: | | | | |
| - Related party | 3,200 | 2,524 | 3,200 | 2,524 |
| - Convertible notes | 6,055 | - | 6,055 | - |
| Total finance costs | 9,255 | 2,524 | 9,255 | 2,524 |
| Depreciation of non-current assets: | | | | |
| - Computers | 6,546 | 2,562 | - | - |
| - Furniture, fixtures and equipment | 74 | 255 | - | - |
| Total depreciation | 6,620 | 2,817 | - | - |
| Rental expense on operating lease | 4,191 | 1,685 | 2,827 | 567 |
| Income tax expense / (benefit) | - | - | - | - |
| Auditor remuneration for: | | | | |
| - Audit services | 2,500 | 1,500 | 2,500 | 1,500 |
| - Other services | - | - | - | - |
| Total auditor remuneration | 2,500 | 1,500 | 2,500 | 1,500 |

## 3. INCOME TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ |
| Income tax benefit on loss before income tax at 16.5%-30% | 99,361 | 36,253 | 62,691 | 11,050 |
| Add/(less) the tax effect of: | | | | |
| Permanent differences | - | - | - | - |
| Timing difference not brought to account | | | - | - |
| Tax losses not brought to account | (99,361) | (36,253) | (62,691) | (11,050) |
| Income tax expense / (benefit) | - | - | - | - |

## 3. INCOME TAX (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period ended 31 December 2009 A$ |
| Income tax | 99,361 | 36,253 | 62,691 | 11,050 |
| Capital loss | - | - | - | - |
| Total | 99,361 | 36,253 | 62,691 | 11,050 |

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.

## 4. DIVIDENDS

No dividends were declared and paid during the financial year.

## 5. LOSS PER SHARE

The loss per share was calculated based on the weighted average of 27,230,797 shares outstanding during the financial year.

## 6. DEPOSIT FOR IPTV

The deposit for IPTV is for the three IPTV channels to be deployed by the Group and for content production.

## 7. DUE FROM HOLDING COMPANY AND SUBSIDIARY COMPANIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 A$ | 2009 A$ | 2010 A$ | 2009 A$ |
| Due from holding company | - | 3,050 | - | 21,916 |
| Due from directors of subsidiary company | 18,281 | - | - | - |
| Total | 18,281 | 3,050 | - | 21,916 |

The amount due from holding company and from the directors of the subsidiary company are unsecured, non-interest bearing and repayable on demand.

## 8. PLANT AND EQUIPMENT

| | Group 2010 A$ | Group 2009 A$ |
|---|---|---|
| Beginning of the financial year | 15,877 | - |
| Acquired as a result of acquisition of subsidiary | - | 3,328 |
| Purchase during the period | 517,635 | 15,366 |
| Disposal during the period | (679) | - |
| Accumulated depreciation | (6,620) | (2,817) |
| Total plant and equipment | 526,213 | 15,877 |

## 9. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned 2010 | Percentage Owned 2009 |
|---|---|---|---|
| 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% | - |
| Premium Multimedia Sdn Bhd | Malaysia | 51% | - |
| China Television Corporation | British Virgin Islands | - | 100% |
| Guangzhou Hwahe Media Limited* | China | 100% | 100% |

* held through declaration of trust

## 10. DUE FROM / TO SUBSIDIARY COMPANY

The amount due from and due to subsidiary companies are unsecured, non-interest bearing and repayable on demand.

## 11. CONVERTIBLE LOANS

The Company has issued two convertible loans during the year. In February 2010, the Company issued A$20,000 convertible notes to 10 noteholders; these convertible notes are non- interests bearing, redeemable by February 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 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 IPO.

## 12. LOAN FROM A RELATED PARTY

This is an A$40,000 loan, plus accrued interests of A$2,524 as at the balance sheet date, from a company owned and controlled by our director. This loan is unsecured, bears interest at 8% per annum and payable on 18 June 2011.

## 13 ISSUED CAPITAL

(a) Share capital

**Group and Company**

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Number of shares | A$ | Number of shares | A$ |
| Ordinary Shares fully paid | 31,327,833 | 1,165,475 | 25,000,000 | 91,300 |

(b) Movements in ordinary share capital

| | Number of Shares | A$ |
|---|---|---|
| Beginning of the financial year – 8 Aug 2008 (inception) | - | - |
| Issue for cash during financial year | 1,000,000 | 1,000 |
| Issue for consulting services | 30,000 | 3,000 |
| Issue of shares for cash – first capital raise | 183,000 | 18,300 |
| | 1,213,000 | 22,300 |
| Issue of Shares in respect of 20 for 1 stock split on April 22 2009 | 24,260,000 | - |
| Issue of shares for cash – second capital raise | 740,000 | 74,000 |
| Less transaction costs | - | (5,000) |
| 31 December 2009 & 1 January 2010 | 25,000,000 | 91,300 |
| Issue of shares during the year | 6,327,833 | 1,074,175 |
| 31 December 2010 | 31,327,833 | 1,165,475 |

Movements in the share capital of the Company

On 14 August 2008, a shareholder applied and the Company issued 32,000,000 shares in the Company for total proceeds of $32,000. The shareholder did not pay for the subscription and thus on December 19, 2008 the Company cancelled these shares.

On 2 January 2009, the Company lodged a prospectus with ASIC and raised A$18,300 by the issuance of 183,000 shares (pre-split) in the Company.

On 22 April 2009, the board of directors approved a 20 for 1 share split which increase the number of shares on that date from 1,213,000 to 24,260,000 shares by the issuance of 23,047,000 shares to the then existing shareholders on a pro-rata basis.

On 26 May 2009, the Company lodged a prospectus with ASIC and raised A$74,000 by the issuance of 740,000 shares (post-split) in the Company.

On 11 March 2010, the Company issued 2,472,533 shares at an issue price of A$0.15 for a total issue price of A$370,880 as part of the consideration for the acquisition of marketable securities.

On 5 November 2010, the Company issued 1,355,300 shares at an issue price of A$0.15 for a total issue price of A$203,295 for the acquisition of a subsidiary.

## 13. ISSUED CAPITAL (Continued)

On 22 December 2010, the Company issued 2,500,000 at an issue price of A$0.20 for a total issue price of A$500,000 as part of the consideration for the acquisition of mini advertising boards in Malaysia.

Subsequent to the balance sheet date, the Company issued shares as set out in note 21.

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.

(c) Options on issue

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

## 14. ACCUMULATED LOSSES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | A$ | A$ | A$ | A$ |
| Balance at beginning of financial year | 150,277 | - | 36,834 | - |
| Net loss for the year | 173,734 | 150,277 | 208,971 | 36,834 |
| Balance at the end of financial year | 324,011 | 150,277 | 245,805 | 36,834 |

## 15. COMMITMENTS

The Group has entered into two agreements for exclusive program production right acquisition from Sichuan Jin Peng Jin Ding Media Limited and for program production service from Hunan Education Television Station expiring in March 2019 and May, 2012 respectively. Total deposit paid as at 31 December 2010 amounted to A$193,768.

The Group also has minimum lease payment for an office rental for A$7,365 due in 2011.

The Group's commitments for minimum payments under these contracts for the next five years and thereafter are as follows:

| Year ending 31 December, | Contracts | Rental | Total |
|---|---|---|---|
| | A$ | A$ | A$ |
| 2011 | 67,005 | 1,096 | 68,101 |

## 16. CONTINGENCIES

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

## 17. FINANCIAL RISK INSTRUMENTS

(a) Financial risk management objectives:
The Group and the Parent are exposed to financial risk through the normal course of their business operations. The key risks impacting the Group and the Parent'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 consolidated entity's managing director and chief financial officer monitor the Group's and the Company's risks on an ongoing basis and report to the Board.

(b) Interest rate risk management
The Group and the Parent 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.

(c) 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.

(d) 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 Company or 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 Company and 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 or Company'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.

## 18. RELATED PARTY TRANSACTIONS

Transactions with related parties include the following:

(a) Loan Facilities

As set out in Note 12, an A$40,000 loan 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 18 June 2011.

## 19. CASHFLOW INFORMATION

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ | Year ended 31 December 2010 A$ | Period from 8 August 2008 (inception) to 31 December 2009 A$ |
| CASHFLOWS FROM CHANGES IN WORKING CAPITAL | | | | | |
| (Increase)/decrease in assets: | | | | | |
| Marketable securities | | (34,491) | - | - | - |
| Other receivable and deposit | | (35,226) | 95,943 | (31,142) | (1,030) |
| Amount due from subsidiaries | | - | - | (157,230) | (201,373) |
| Amount due from related parties | | (15,231) | (3,050) | 21,916 | (21,916) |
| Deposit for IPTV | | (55,418) | (138,350) | - | - |
| Inventory | | 2,109 | (2,109) | 425 | (425) |
| Increase / (Decrease) in liabilities: | | | | | |
| Other payables | | 107,049 | 173,199 | 73,765 | 143,816 |
| Accrued expenses | | 34,309 | (1,474) | 4,000 | - |
| Amount due to a subsidiary | | - | - | - | 119,156 |
| Loan from a related party | | 3,201 | 42,524 | 3,201 | 42,524 |
| Convertible loans | | 87,100 | - | 87,100 | - |
| Amount due to a director | | 112,143 | 200 | 5,131 | 200 |
| NET CASHFLOWS FROM CHANGES WORKING CAPITAL | | 205,545 | 166,883 | 7,166 | 80,952 |

## 20. KEY MANAGEMENT PERSONNEL DISCLOSURES

| Personnel | Position | Appointed | Resigned |
|---|---|---|---|
| Con Unerkov | Chairman, CEO, Director | - | - |
| Bing HE | Director/ VP Telecom | - | - |
| Loui Kotsopoulos | Non-executive Director | - | - |
| Juewen Li | Non-executive Director | 10 Mar 2010 | - |
| Pui Kit Lam | Non-executive Director | 10 Mar 2011 | - |
| Min Qiu | Non-executive Director | 10 Mar 2011 | - |

(a) Remuneration

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

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

| | 31 December 2009 |
|---|---|
| Short term benefits | 5,004 |
| Post employment benefits | - |
| Other long term benefits | - |
| Termination benefits | - |
| Share based payments | - |
| Total | 5,004 |

(b) Shares – number of shares held by management

| **Personnel** | **1 January 2010** | **Bought** | **Sold** | **31 December 2010** |
|---|---|---|---|---|
| Con Unerkov | 30,000[2] | 1,252,553[2] | - | 1,282,553 |
| Bing He | 10,000 | 176,709[1] | - | 186,709 |
| Loui Kotsopoulos | 10,000 | - | - | 10,000 |
| Pui Kit Lam | - | 2,165,547[3] | - | - |
| Juewen Li | - | - | - | - |

NOTE:

(1) As at 31 December 2010, Mr. Bing He holds directly 10,000 shares in the Company and indirectly held 176,709 shares in the Company held by Jademan International Limited ("Jademan"). China Media Group Corporation held 51% of Jademan as at December 31 2010, and Tidewell Limited, a company which Mr. He owns 51% interests, holds 1.8% interests in CMG. As at the date of this report, Mr. He's indirect interests decreased from 176,709 shares to 86,587 shares in the Company.

(2) As at 31 December 2010, Mr. Con Unerkov held directly 10,000 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 beneficially indirectly owned 167,799 and 1,252,553 shares in the Company held by Jademan International Limited ("Jademan"). China Media Group Corporation held 51% of Jademan as at December 31 2010. Tidewell Limited, a company which Mr. Unerkov beneficially owns 49% interests, and Central High Limited, a company which Mr. Unerkov beneficially held 25% interests, holds 1.8% and 22.5% interests in CMG respectively. As at the date of this report, Mr. Unerkov's indirect interests decreased from 1,252,553 shares to 613,751 shares in the Company.

(3) As at 31 December 2010, Mr. Lam beneficially owns 2,165,547 shares in the Company held by Jademan. China Media Group Corporation held 51% of Jademan as at December 31 2010, and Central High Limited, a company which Mr. Lam owns 50% interests, holds 22.5% interests in CMG. As at the date of this report, Mr. Lam's indirect beneficial interests decreased from 2,165,547 shares to 1,061,118 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.

## 21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

- the Group agreed to purchase television equipment for up to USD2,000,000 which will be paid by the issuance the shares in the Company provided that the shares are listed on the Australian Stock Exchange. At the date of this report, the Company has paid for the deposit on the equipment with an issue of a convertible note which is convertible at the same price as the offering by the Company to be listed on the ASX.

- On 19 January 2011, the Group entered into an agreement to acquire up to 520,500 shares (representing 50%) of Tat Ming Asia Limited ("Tat Ming") at a price of A$0.58 per share and exercisable from the date of the agreement to the termination date which is the earlier of i) the date on which the one year anniversary of the date the Company is listed on the recognized exchange and ii) 19 July 2012. Tat Ming beneficially owns a company incorporated in Haikou, China named, Winbar Entertainment Co., Limited which is engaged in the business of eGame in Haikou, China.

- In March 2011, the Company issued 3,300,000 shares in the company at $0.10 for each share raising a total of A330,000 to be used as working capital for the Company.

- In April 2011, the Company issued 100,000 shares in the company at $0.10 for each share raising a total of A10,000 to be used as working capital for the Company.

- In May 2011, the Company issued 100,000 shares in the company at $0.10 for each share raising a total of A10,000 to be used as working capital for the Company.

No other matter or circumstance has arisen since 31 December 2010, 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.

## DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 23 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 Company's and the consolidated entity's financial position as at 31 December 2010; 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 7 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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

/s/ Con Unerkov

Con Unerkov
Director

Adelaide, 18 May 2011

dfk gray perry
CHARTERED ACCOUNTANTS

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DIRECTORS
James W Perry
Michael D Gray
Brendon Skates

CONSULTANT
Glen Brewer

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 balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2010 a summary of significant accounting policies and other explanatory notes and the directors' declaration for both China Integrated Media Corporation Limited and of the consolidated entity. The consolidated entity 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 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.

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 consolidated entity's financial position as at 31 December 2010 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 2010. 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 2010, complies with section 300A of the Corporations Acts 2001.

DFK Gray Perry
Chartered Accountants

James W Perry

Dated at Adelaide, South Australia this 18 day of May 2011

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**DIRECTORS**
James W Perry
Michael D Gray
Brendon Skates

**CONSULTANT**
Glen Brewer

# Auditor's Independence Declaration

As lead auditor for the audit of China Integrated Media Corporation Limited for the year ended 31 December 2010, 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 audit; and

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

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

DFK Gray Perry
Chartered Accountants

James W Perry

Dated at Adelaide, South Australia this 18 day of May 2011.