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China Integrated Media Corporation Limited ACN 132 653 948

Notice of Extraordinary General Meeting and Explanatory Statement

Date of Meeting:	18 September 2015
Time of Meeting:	10:00 am (EST)
Place of Meeting:	Level 4, Plaza Building Australia Square, 95 Pitt Street, Sydney, New South Wales, 2000, Australia

This Notice of Extraordinary General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisers without delay. An independent expert's report is attached to this Notice, at Annexure A as required for the purposes of ASX Listing Rule 10.1 and item 7 of Section 611 of the Corporations Act. The report concludes that the transaction the subject of the Resolution in this Notice of Meeting, is fair and reasonable to the Company's non-associated Shareholders, for the reasons set out in the report.

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Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of shareholders of China Integrated Media Corporation Limited ACN 132 653 948 (**"CIMC" or "the Company"**) will be held at Level 4, Plaza Building Australia Square, 95 Pitt Street, Sydney, New South Wales, 2000, Australia, on 18 September 2015 at 10:00 am (EST). If you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form. The completed Proxy Form must be received by the Company at least 48 hours before the commencement of the meeting.

The following business will be transacted at the Meeting. The Explanatory Statement, which accompanies and forms part of this notice, describes in more detail the matters to be considered at the Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement will, unless the context requires otherwise, have the same meaning as explained in the Explanatory Statement.

Agenda

Ordinary business

1. Approval of the Proposed Transaction, issue of Transaction Shares to Marvel Finance Limited and transfer of CIMC Shares held by Dr. Herbert Ying Chiu LEE to Marvel Finance Limited (Resolution)

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*"That for the purposes of item 7 of Section 611 of the Corporations Act 2001 (Cth), and ASX Listing Rules 10.1 and 10.11 and for all other purposes, the terms of the Share Sale and Purchase Agreement ("**SSPA**") between the Company and Marvel Finance Limited (**"MFL"**) entered into on 14 May 2015 in respect of the proposed acquisition of entire issued capital of Marvel Digital Limited (**"MDL"**) be approved and the Company be authorised, with effect from the passing of this Resolution, to proceed with:*

(a) *The transaction contemplated by the SSPA (**"Proposed Transaction"**);*

(b) *Dr. Herbert Ying Chiu LEE obtaining a Relevant Interest in the Company from a point that is above 20% to below 90% as a result of the Proposed Transaction;*

(c) *MFL obtaining a Relevant Interest in the Company from a point that is below 20% to more than 20% as a result of:*

 (1) *The Proposed Transaction; and*

 (2) *The transfer of 8,336,266 fully paid ordinary shares in the Company currently held by Dr. Herbert Ying Chiu LEE to MFL;*

(d) *Without limitation to (a), (b) or (c):*

 (1) *The proposed acquisition by the Company of all the issued share capital of MDL; and*

 (2) *In consideration for the acquisition of MDL, (i) the issue of fully paid ordinary shares in the Company in an expected range of between 24,500,368 and 28,875,433 shares at an issue price of AUD 20 cents to MFL on completion of the Proposed Transaction as initial payment and (ii) the payment of the Deferred Consideration in accordance with the SSPA,*

on the terms set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting."

Notes:

For the purposes of the Shareholder approvals required under Listing Rule 10.1 and item 7 of Section 611 of the Corporations Act, BDO has prepared an Independent Expert's Report on the Proposed Transaction which is enclosed with this Notice of Meeting in Annexure A. BDO has concluded that, in its opinion, the Proposed Transaction is fair and reasonable to all Non-Associated Shareholders of the Company.

Further details regarding the SSPA and Proposed Transaction are set out in the accompanying Explanatory Statement and Independent Expert's Report which the Directors recommend Shareholders read in full before making any decision in relation to the Resolution.

Voting exclusion statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

(a) a party to the Proposed Transaction; and

(b) a person who is to receive securities in connection with the Proposed Transaction; and

(c) Dr. Herbert Ying Chiu LEE, MDL, MFL and any other person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities; and

any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Extraordinary General Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Glossary in Section 4 in the Explanatory Statement which contains definitions of capitalised terms used in this Notice of Extraordinary General Meeting and the Explanatory Statement unless otherwise indicated.

Proxies

Please note that:

(a) a shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company;

(c) a Shareholder may appoint a body corporate or an individual as its proxy;

(d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and

(e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Extraordinary General Meeting or handed in at the Extraordinary General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5pm (EST) on 16 September 2015. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the Extraordinary General Meeting.

Enquiries

Shareholders may contact our Company Secretary by fax on + 61 8 8312 0248 or by email at info@chinamedia.com.au if they have any queries in respect of the matters set out in these documents.

By order of the Board of Directors

/S/ Dr. Man-Chung CHAN
Dr. Man-Chung CHAN
Director
18 August 2015

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Explanatory Statement

1. Introduction

This Explanatory Statement is provided to Shareholders of China Integrated Media Corporation Limited ACN 132 653 948 to explain the Resolution to be put to Shareholders at the Extraordinary General Meeting to be held at Level 4, Plaza Building Australia Square, 95 Pitt Street, Sydney, New South Wales, 2000, Australia, on 18 September 2015 at 10:00 am (EST).

Section 2 of this Explanatory Statement provides a comprehensive outline of the Proposed Transaction. Shareholders are also referred to the Independent Expert's Report prepared by BDO that concludes that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. A copy of the Independent Expert's Report is attached to this Notice at Annexure A and Shareholders are encouraged to consider the report before voting on the Resolution. The Independent Expert's Report is also available to Shareholders on request at no cost and may also be viewed on the Company's website www.chinamedia.com.au

Section 3 of this Explanatory Statement outlines the legal and regulatory requirements in relation to the Resolution. Section 2 and Section 3 of the Explanatory Statement are to be read in conjunction with each other, as well as the Notice of Meeting.

The Directors recommend Shareholders read the accompanying Notice of Meeting, this Explanatory Statement and the Independent Expert's Report in full before making any decision in relation to the Resolution.

Section 4 of this Explanatory Statement contains a glossary of terms used in the Notice of Meeting and this Explanatory Statement.

2. The Proposed Transaction

2.1 Background to Proposed Transaction

As announced on 14 May 2015, the Company entered into a SSPA to acquire the entire issued capital of MDL ("**MDL Shares**") from MFL, a company wholly owned by the Chairman and a substantial shareholder of the Company, Dr. Herbert Ying Chiu LEE (**"Proposed Transaction"**).

The SSPA was amended by agreement between the parties on 27 July 2015 to extend the completion deadline from 31 July 2015 to 30 September 2015.

Under the SSPA, in consideration for being transferred the MDL Shares, CIMC will issue CIMC Shares to MFL, who, upon completion of the Proposed Transaction (expected to be no later than 30 September 2015) will, together with its associates, become the largest and controlling shareholder in CIMC.

The initial purchase consideration for the MDL Shares will be the consolidated net asset value of MDL which shall not be less than HKD 28,000,000 at the completion date. The expected purchase price is to be in the range of HKD 28,000,000 to HKD 33,000,000 ("**Initial Consideration**"). The Initial Consideration shall be paid by the issue of CIMC Shares to MFL at a price of AUD 20 cents per share and the number of CIMC Shares to be issued to MFL is expected in a range of between 24,500,368 and 28,875,433 CIMC Shares *(***"Transaction Shares"***)* which was calculated based on the current exchange rate of HKD:AUD 5.7142 as of 4 August 2015. The number of CIMC Shares to be issued will vary with the exchange rate between Hong Kong and Australian dollars at the date of completion of the Proposed Transaction.

The Company will also pay a deferred performance fee to MFL calculated at five (5) times of the average annualised consolidated profits of MDL for the two year period from the completion date less the Initial Consideration ("**Deferred Consideration**").

MFL is wholly owned by Dr. Herbert Ying Chiu LEE. The Relevant Interest that MFL and Dr. Herbert Ying Chiu LEE will hold in CIMC Shares following the issue of the Transaction Shares, has been outlined in paragraph 2.5 and set out in **Table 2 of Schedule 1**.

MDL and Dr. Herbert Ying Chiu LEE have informed the Company that they intend to transfer the 10,370,000 and 8,336,266 CIMC Shares that they respectively hold as at the date of this Explanatory Statement (together representing approximately 35.15% of the CIMC Shares) to MFL between the date the Resolution is passed and the allotment of the Transaction Shares to MFL.

MFL currently has a Relevant Interest in the 10,370,000 CIMC Shares that MDL holds by virtue of holding all of the issued shares in MDL. MFL does not, however, have a Relevant Interest in the 8,336,266 CIMC

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Shares that Dr. Herbert Ying Chiu LEE holds.

The Resolution seeks Shareholder approval for the Proposed Transaction, specifically the issue of the Transaction Shares to the Vendor, as well as for the transfer of 8,336,266 CIMC Shares currently held by Dr. Herbert Ying Chiu LEE to the Vendor.

As a result of these transactions, and assuming the consolidated net asset value of MDL at the completion date is HKD 33,000,000 and the exchange rate on that date is HKD:AUD 5.7142:

- the Vendor will obtain a Relevant Interest in the Company from approximately 19.48% to approximately 58%; and
- Dr. Herbert Ying Chiu LEE will obtain a Relevant Interest in the Company from 35.15% to approximately 58%.

2.2 About Marvel Digital Limited

MDL is a technology company that develops:

- a proprietary digital content management system for the display of image, text and video to networked screens over the internet;
- 2D to 3D conversion software; and
- 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.

2.3 Share Sale and Purchase Agreement

The SSPA is a conditional agreement entered into to give effect to the Proposed Transaction.

Completion of the Proposed Transaction under the SSPA is subject to a number of conditions precedent, including

- CIMC being satisfied, in its absolute discretion, with the results of its own due diligence into MDL;
- CIMC being satisfied, in its absolute discretion, with the results of an Independent Expert's Report required pursuant to s 611 item 7 of the Corporations Act;
- CIMC obtaining all necessary approvals, waivers and confirmations from ASX in respect of the proposed purchase of MDL, and the issuance of the CIMC Shares contemplated in the SSPA and reorganisation and transfer of 8,336,266 and 10,370,000 CIMC Shares currently held by Dr. Herbert Ying Chiu LEE and MDL, respectively, to the Vendor will not give rise to any obligation on the part of the Vendor or any of its associates to make a general offer under Chapter 6A of the Corporations Act 2001 to acquire all the shares of CIMC. MDL and Dr. Herbert Ying Chiu LEE have informed the Company that they intend to cause this transfer to occur between the date the Resolution is passed and the allotment of the Transaction Shares to MFL;
- The Vendor obtaining all necessary consents and approvals from the relevant governmental or regulatory authorities in Australia or elsewhere in respect of the proposed sale of MDL;
- CIMC obtaining all necessary Board, Shareholders and ASIC approvals in respect of the proposed purchase of MDL and the SSPA;
- Approval of CIMC shareholders under ASX Listing Rules 7.1, 10.1 and 10.11 to the issue of the CIMC Shares as consideration in the SSPA; and
- Obtainment of any other regulatory approvals.

The Initial Consideration to be paid by the Company to the Vendor for the purchase of the MDL Shares is the issue and allotment of CIMC Shares in an expected range of between 24,500,368 and 28,875,433 shares each credited as fully paid ordinary shares in the Company.

MFL has also agreed that the Transaction Shares will be subject to a 12 month voluntary escrow period during which time MFL will not be permitted to, nor be permitted to agree to, sell, assign, transfer or otherwise dispose of the Transaction Shares.

The Company will also pay a deferred performance fee calculated at five (5) times of the average annualised consolidated profits of MDL for the two years period from the completion date less the Initial Consideration.

2.4 **Rationale of the Proposed Transaction**

The non-interested Directors believe that the acquisition of MDL is highly strategic for a number of reasons. These include but are not limited to:

- Income accretion – The non-interested Directors consider the acquisition can help the Company to maintain more stable and continuous income streams, and improve returns to the Shareholders in long term.
- Natural alignment – The acquisition is closely aligned with the Company's growth strategy. Moreover, the businesses of the Company and MDL are similar in many ways, which the non-interested Directors consider make them easy to integrate and operate.
- Growth engine for the Company – MDL's businesses are expected to have significant sales and profit growth in the years ahead.
- Opportunities of scale – The Company will have greater flexibility and scale to explore both new revenue opportunities and potential cost-saving and efficiency improvements.
- Utilisation of distribution network – The Company can utilise the distribution network of MDL in China and overseas for distribution of its existing products.
- Capital raising opportunity – The non-interested Directors consider the enlarged asset base and expanded scope of businesses resulting from the acquisition will facilitate capital raising for the Company in future and increase liquidity of the Company's shares in the market.
- Intellectual properties – MDL holds a number of 3D autostereoscopic and information technology patents. These are income-producing assets that the non-interested Directors consider can bring long term value to shareholders of the Company.
- Management expertise and experience – The management and staff of MDL possess the expertise and experience required to support the existing businesses of the Company and the non-interested Directors consider this expertise and experience could assist in successfully transitioning the Company to be an innovator and leader in the 3D autostereoscopic market.

2.5 **Effect of the Proposed Transaction on the Company**

(a) Assets, equity, annual profit

Details of the estimated effect that the Proposed Transaction will have on the Company's total assets, total equity interests, annual revenue and annual profit before income tax following completion of the Proposed Transaction are set out in **Table 1 of Schedule 1**.

Shareholders are advised that the calculations are based on the audited accounts of the Company as at 31 December 2014.

(b) Issued capital

Table 2 of Schedule 1 sets out the current issued share capital of the Company, together with the potential effect that the issue of the Transaction Shares will have on the issued shares in the Company, assuming that no additional CIMC Shares are issued.

In summary if the Proposed Transaction is completed,

(1) Up to 28,875,433 Transaction Shares (subject to the consolidated net asset value of MDL at completion of the Proposed Transaction and the exchange rate of HKD to AUD on that date) would be issued to the Vendor at completion of the Proposed Transaction. As set out in Section 2.1 of this Explanatory Statement, MDL and Dr. Herbert Ying Chiu LEE have informed the Company that they intend to transfer the 10,370,000 and 8,336,266 CIMC Shares that they respectively hold to MFL between the date the Resolution is passed and the allotment of the Transaction Shares to MFL such that the Vendor and its associates collectively would hold a Relevant Interest of approximately 58% of the issued capital of the Company following the issue of the Transaction Shares; and

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(2) existing shareholders of CIMC would maintain and continue to hold their number of CIMC Shares, which total 34,514,521 CIMC Shares, although total shareholding in the Company would reduce from approximately 64.85% to approximately 42% if 28,875,433 Transaction Shares are issued.

2.6 Independent Expert's Report

The directors of the Company have commissioned the Independent Expert to prepare a report on the question of whether the Proposed Transaction is fair and reasonable to the Shareholders not associated with the proposal. That report is attached to this Explanatory Statement at Annexure A.

The Independent Expert has concluded that the terms of the Proposed Transaction are fair and reasonable to the Non-Associated Shareholders of the Company.

(a) Fairness

In forming their opinion in relation to the fairness of the Proposed Transaction, BDO has assessed the fair market value of the Company's Shares immediately prior to the Proposed Transaction on a controlling interest basis and compare this to the value of a share in CIMC upon completion of the Proposed Transaction, assuming that the Proposed Transaction completes. Details of the fairness assessment of the Independent Expert are set out in Section 12 of the Independent Expert's Report.

Based on BDO's report, the value of one Share on a controlling basis prior to the completion of the Proposed Transaction is $5.76 cents and upon completion of the Proposed Transaction, the value of one Share on a minority basis is a low of **$8.16 cents** and a high of **$8.82 cents**.

(b) Reasonableness: Key Advantages and Disadvantages of Proposed Transaction

BDO has also considered the reasonableness of the Proposed Transaction in terms of the advantages and disadvantages of the Proposed Transaction. Details of the reasonableness assessment of the Independent Expert are set out in Section 13 of the Independent Expert's Report.

In forming the opinion that the Proposed Transaction is reasonable, BDO have noted the following:

The benefits to Non-Associated Shareholders of the Proposed Transaction include:

(1) The Proposed Transaction is fair;
(2) Creation of a complementary business model;
(3) Integration of the businesses may provide synergies;
(4) Creation of a combined group with a more diversified business;
(5) Opportunity for further growth of the combined businesses; and
(6) Increase market capitalisation of the Company.

The disadvantages to Non-Associated Shareholders of the Proposed Transaction include:

(1) Dilution of existing Shareholders' interests;
(2) Deferred performance fee;
(3) Payment of liabilities to Dr. Herbert Ying Chiu LEE; and
(4) Potential lower liquidity of shares.

Further details regarding the analysis undertaken by the Independent Expert and the Independent Expert's conclusions are set out in the Independent Expert's Report. The Independent Expert's Report is set out in Annexure A of this Explanatory Statement.

2.7 Other information

(a) Plans for the Company if the Resolution is passed

In the event that the Resolution is approved by Shareholders, the Company will comprise of the combined business operations of CIMC and MDL upon completion of the SSPA. As such, the Company will continue its current businesses, as well as the continued operation of the businesses of MDL.

The Company will continue to be named China Integrated Media Corporation Limited.

There is currently no proposal or intention to transfer or otherwise deal with the current assets of the Company, nor any changes to the present employee arrangements of the Company. There are also no intentions to significantly change the financial policies of the Company.

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(b) Plans for the Company if the Resolution is not passed

In the event that the Resolution is not approved, the Company will continue to focus on its existing businesses.

(c) Director recommendations

The Board considers that the Proposed Transaction will complement its existing operations whilst giving the Company a suitable robustness of scale and breadth of operation.

All of the current Directors are independent of the Proposed Transaction except for Dr. Herbert Ying Chiu LEE. The independent Director considers that acquiring MDL is in the best interests of the Company and recommends that Shareholders vote in favour of the Resolution.

3. Shareholder approvals

3.1 **Listing Rule 10.1**

Listing Rule 10.1 provides that an entity must not acquire a “substantial asset” from, among other persons, a Related Party without the approval of holders of the entity’s ordinary securities.

Listing Rule 10.2 provides that an asset is a substantial asset if its value, or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.

Pursuant to the SSPA, the Company will acquire the MDL Shares from MFL. MFL is controlled by the Company’s Chairman, Dr. Herbert Ying Chiu LEE. Accordingly, MFL is a Related Party of the Company.

The value of the Company’s equity interests as set out in its financial report for the year ended 31 December 2014 (released to ASX on 27 March 2015) are $3,305,937. The value of the consideration for the MDL Shares (as set out in Section 2.1 of this Explanatory Statement and the Independent Expert’s Report) is more than 5% of this amount.

Accordingly, the Company seeks Shareholder approval for the purposes of Listing Rule 10.1 to acquire the MDL Shares from MFL.

Listing Rule 10.10 requires a notice of meeting seeking shareholder approval for the purposes of Listing Rule 10.1 to include a report on the transaction from an independent expert and which states the expert’s opinion as to whether the transaction is fair and reasonable to shareholders who may vote on the transaction. An Independent Expert’s Report obtained for this purpose is attached to this Explanatory Statement at Annexure A.

3.2 **Listing Rule 10.11 – Approval required for an issue of securities**

(a) Listing Rule 10.11

Listing Rule 10.11 provides that an entity must not issue or agree to issue equity securities to a Related Party unless an exception applies or approval from the holders of the entity’s ordinary securities is obtained.

Listing Rule 10.11 protects a listed entity’s security holders by preventing a Related Party from obtaining equity securities on advantageous terms and increasing the Related Party’s holding proportionate to other shareholders.

As set out above, MFL is a Related Party of the Company. Accordingly, the Company seeks Shareholder approval for the purposes of Listing Rule 10.11 to issue the Transaction Shares to MFL.

(b) Information required by Listing Rule 10.13

Listing Rule 10.13 sets out the information required to be included in a notice of meeting seeking Shareholder approval for the issue of securities to a Related Party for the purposes of Listing Rule 10.11.

The following information is provided for the purposes of Listing Rule 10.13:

The persons to whom the securities are to be issued

The Transaction Shares will be issued to MFL.

The maximum number of securities to be issued

The exact maximum number of Transaction Shares to be issued to MFL will depend on the consolidated net asset value of MDL at the completion date and the exchange rate of HKD to AUD on that date. Based on a consolidated net asset value of MDL of HKD 33,000,000 and the current exchange rate of HKD:AUD

5.7142 as of 4 August 2015, the maximum number of Transaction Shares to be issued is 28,875,433 CIMC Shares . However, and by way of example, if the exchange rate of HKD against AUD rises by 2%, the number of CIMC Shares to be issued will be increased to 29,452,941. By contrast, if the exchange rate of HKD against AUD drops by 2%, the maximum number of CIMC Shares to be issued will be decreased to 28,297,924.

The day by which the Company will issue the securities

The Company expects to issue the Transaction Shares within one week of the Resolution being passed but in any event will issue the Transaction Shares by no later than 30 September 2015.

If the person to whom the securities are to be issued is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained

MFL is a company that is wholly owned and controlled by the Company's Chairman, Dr. Herbert Ying Chiu LEE. MFL is therefore a Related Party of the Company.

The issue price of the securities and a statement of the terms of the issue

The Transaction Shares will be issue at a price of AUD 20 cents per share.

The Transaction Shares will be fully paid ordinary shares in the capital of CIMC, on the same terms and conditions as the existing CIMC Shares. However, as set out in Section 2.3 of this Explanatory Statement, MFL has agreed that the Transaction Shares will be subject to a 12 month voluntary escrow period during which time MFL will not be permitted to, nor be permitted to agree to, sell, assign, transfer or otherwise dispose of the Transaction Shares.

Voting exclusion statement

The voting exclusion statement is set out in the Notice of Meeting.

The intended use of the funds raised

No funds will be raised from the issue of the Transaction Shares. Instead, the Transaction Shares will be issued in consideration for the acquisition of the MDL Shares.

(c) Listing Rule 7.1

Listing Rule 7.1 provides that an entity must not, subject to specified exemptions, issue or agree to issue during any 12 month period any equity securities if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. The issue of an expected range of between 24,500,368 and 28,875,433 CIMC Shares to MFL under the SSPA will exceed the Company's 15% capacity under Listing Rule 7.1.

Listing Rule 7.2, exception 14 provides that an issue made with the approval of holders of ordinary securities under Listing Rule 10.11 does not require approval under Listing Rule 7.1. Accordingly, if the issue of the Transaction Shares is approved by Shareholders for the purposes of Listing Rule 10.11 then approval is not required for the issue of the Transaction Shares under Listing Rule 7.1.

3.3 Chapter 6, Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares in a listed company if the acquisition would result in that person's voting power in the company increasing:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

A person has a Relevant Interest in securities if they:

- are the holder of the securities; or
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of, or control the exercise of a power to dispose of the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

There are certain specified exceptions to the takeover prohibition contained in Section 606 of the

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Corporations Act. In particular, under item 7 of Section 611 of the Corporations Act an acquisition will not contravene the takeover prohibition if shareholders approve the acquisition by passing a resolution at a general meeting, where:

- no votes were cast in favour of the resolution by the person proposing to make the acquisition or their associates; and
- shareholders were given all information known to the acquirer or the company that was material to the decision on how to vote.

ASIC Regulatory Guide 74: Acquisitions Approved by Members' (**ASIC RG 74**) also specifies certain requirements where a company seeks an acquisition to be exempt under item 7 of Section 611 of the Corporations Act.

The following paragraphs set out information required to be provided to Shareholders under item 7 of Section 611 and ASIC RG 74.

Shareholders are also referred to the Independent Expert's Report attached to this Explanatory Statement as Annexure A.

(a) Identity of the person who may be allotted the Transaction Shares and who may acquire the CIMC Shares to be transferred by Dr. Herbert Ying Chiu LEE and their associates

The Transaction Shares will be allotted and issued to MFL.

MFL is a company wholly owned by the Company's Chairman Dr. Herbert Ying Chiu LEE, who is an associate of MFL and is also currently a substantial shareholder of the Company. In addition, as set out in Section 2.1 of this Explanatory Statement, MDL and Dr. Herbert Ying Chiu LEE have informed the Company that they intend to transfer the 10,370,000 and 8,336,266 CIMC Shares that they respectively hold (together representing approximately 35.15% of the CIMC Shares) to MFL between the date the Resolution is passed and the allotment of the Transaction Shares to MFL.

MFL currently has a Relevant Interest in the 10,370,000 CIMC Shares that MDL holds by virtue of holding all of the issued shares in MDL. MFL does not, however, have a Relevant Interest in the 8,336,266 CIMC Shares that Dr. Herbert Ying Chiu LEE holds. Approval is therefore also sought for the purposes of this transfer.

Dr. Herbert Ying Chiu LEE will have a Relevant Interest in all CIMC Shares that MFL has a Relevant Interest in by virtue of holding all of the issued shares in MFL.

(b) Maximum extent of the increase in MFL and Dr. Herbert Ying Chiu LEE's voting power in the Company that would result from the allotment and acquisition

The maximum extent of the increase in MFL's voting power in the Company as a result of the allotment of the Transaction Shares and the acquisition of the 8,336,266 CIMC Shares held by Dr. Herbert Ying Chiu LEE is from approximately 19.48% to approximately 57.96%.

The maximum extent of the increase in Dr. Herbert Ying Chiu LEE's voting power in the Company as a result of the allotment of the Transaction Shares is set out in **Table 2 of Schedule 1,** being from 35.15% to 57.96% (being the same maximum voting power as that held by MFL).

The exact extent of the increase in voting power of MFL and Dr. Herbert Ying Chiu LEE will vary with the number of CIMC Shares finally issued in connection with the Proposed Transaction. This will depend on the consolidated net asset value of MDL and the exchange rate between Hong Kong and Australian dollars at the date of completion of the Proposed Transaction. Assuming the consolidated net asset value of MDL is HKD 33,000,000 and if the current exchange rate of HKD against AUD rises by 2%, the number of CIMC Shares to be issued will be increased to 29,452,941 resulting in MFL and Dr. Herbert Ying Chiu LEE's voting power increasing to 58.25%. By contrast, if the exchange rate of HKD against AUD drops by 2%, the number of CIMC Shares to be issued will be decreased to 28,297,924 resulting in MFL and Dr. Herbert Ying Chiu LEE's voting power increasing to only 57.66%.

(c) **Voting Power that MFL and Dr. Herbert Ying Chiu LEE will have as a result of the allotment and acquisition**

The voting power that MFL and Dr. Herbert Ying Chiu LEE will have as a result of the allotment and acquisition, is set out in **Table 2 of Schedule 1.**

(d) **The maximum extent of the increase in the voting power of MFL's associates that would result from the allotment and acquisition**

The maximum extent of the increase of the voting power of MFL's associates as a result of the allotment and acquisition, is as set out in **Table 2 of Schedule 1.**

(e) **The voting power that each of MFL's associates would have as a result of the allotment and acquisition**

The voting power that each of MFL's associates would have as a result of the allotment, is as set out in **Table 2 of Schedule 1.**

(f) **Reasons for the proposed allotment and acquisition**

The Transaction Shares will be issued to MFL as consideration for the acquisition of the MDL Shares under the SSPA. Details about MDL and the SSPA are set out in Section 2 of this Explanatory Statement.

The acquisition by MFL of the 8,336,266 CIMC Shares that Dr. Herbert Ying Chiu LEE currently holds will occur in order to consolidate the holdings of Dr. Herbert Ying Chiu LEE and his associates into a single vehicle, being MFL. As outlined above, Dr. Herbert Ying Chiu LEE will continue to have a Relevant Interest in these CIMC Shares along with all other CIMC Shares to be held by MFL by virtue of Dr. Herbert Ying Chiu LEE holding all of the shares in MFL.

(g) **When the allotment and acquisition is expected to occur**

The Transaction Shares are expected to be issued and allotted to the Vendor within one week of the Resolution being passed but in any event will be issued and allotted to the Vendor by no later than 30 September 2015.

The acquisition of the 8,336,266 CIMC Shares that Dr. Herbert Ying Chiu LEE currently holds by MFL (along with the 10,370,000 CIMC Shares that MDL currently holds, together representing approximately 35.15% of the CIMC Shares) is expected to occur between the date the Resolution is passed and the allotment of the Transaction Shares to MFL.

(h) **The terms of the proposed allotment and acquisition**

The Transaction Shares will be issued to MFL as consideration for the acquisition of the MDL Shares under the SSPA. Details about MDL and the SSPA are set out in Section 2 of this Explanatory Statement.

As set out in Section 2.3 of this Explanatory Statement, MFL has agreed that the Transaction Shares will be subject to a 12 month voluntary escrow period during which time MFL will not be permitted to, nor be permitted to agree to, sell, assign, transfer or otherwise dispose of the Transaction Shares.

The 8,336,266 CIMC Shares currently held by Dr. Herbert Ying Chiu LEE will be transferred to MFL at a price of AUD 20 cents per share between the date the Resolution is passed and the allotment of the Transaction Shares to MFL.

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(i) Details of the terms of any other relevant agreement between MFL or any of its associates that is condition on or directly or indirectly depends on Shareholders approval of the proposed issue of the Transaction Shares and acquisition of the CIMC Shares to be transferred by Dr. Herbert Ying Chiu LEE

As set out in Section 2.1 of this Explanatory Statement an existing 35.15% shareholding in the Company is held by MDL and Dr. Herbert Ying Chiu LEE, being associates of MFL, and MDL and Dr. Herbert Ying Chiu LEE have informed the Company that they intend to transfer these shares to MFL between the date the Proposed Transaction is approved by Shareholders and prior to the allotment of the Transaction Shares to MFL.

(j) MFL's intentions regarding the future of the Company

MFL has informed the Company that, as at the date of this Explanatory Statement and on the basis of the information available to it, if Shareholders approve the Resolution, MFL:

- will bring MDL's potential to enhance the Company's ability to compete in the fast changing technology of 3D Autostereoscopic products through MDL's own technological developments. It is also anticipated to create a group that has a more diverse set of operations with the Company continuing the development the digital advertising platform in glasses-free 3D and distribution of the digital display and 3D software whilst incorporating MDL's operations.
- has no current intention to inject further capital into the Company. However MFL anticipates there will be a potential for greater broker coverage and presence in the Australian market, and increasing the Company's ability to secure funding for business expansion in future.
- has no current intention to change the present employee arrangements of the Company;
- has no current intention to transfer assets between the Company, MFL and its associates; and
- will integrate all existing technical development resources of the Company and MDL including fixed assets to provide synergies and improvements on operation and business.

(k) Intentions regarding the financial or dividend policies of the Company

MFL has informed the Company that, as at the date of this Explanatory Statement and on the basis of the information available to it, if Shareholders approve the Resolution, MFL has no intentions to significantly change the financial or dividend distribution policies of the Company.

(l) Interests of directors in the acquisition

The Company's Chairman, Dr. Herbert Ying Chiu LEE is interested in the Proposed Transaction as he is the beneficial owner of all the interests in MDL and MFL. Dr. Herbert Ying Chiu LEE will accordingly, hold a Relevant Interest in all CIMC Shares held by MFL. Except for Dr. Herbert Ying Chiu LEE as noted above, no other director has any interests in the acquisition of MDL.

(m) Board of directors

It is not intended that a change in the Board will occur by reason of the proposed issue of the Transaction Shares.

(n) Recommendations of Directors as to whether Non-Associated Shareholders should agree to the acquisition and the reasons for that recommendation

The independent Director recommends to the Non-Associated Shareholders to vote in favour of the acquisition of MDL based on the findings of the Independent Expert's Report which states that the proposed Transaction is fair to the Non-Associated Shareholders.

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4. Glossary

The following terms used in the Notice of Meeting and the Explanatory Statement are defined as follows:

ASIC means the Australian Securities & Investments Commission;

ASX means the ASX Limited;

BDO means BDO Corporate (SA) Pty Ltd;

Board means the current board of Directors;

Corporations Act means the *Corporations Act 2001* (Cth);

CIMC or Company means China Integrated Media Corporation Limited (ACN 132 653 948);

CIMC Shares means fully paid ordinary shares in the Company from time to time;

Director means a current director of the Company as at the date of the Notice of Meeting and "**Directors**" means all of them;

EST means eastern standard time in Australia;

Explanatory Statement means the explanatory statement accompanying this Notice;

Extraordinary General Meeting, **Meeting** or **EGM** means the Extraordinary General Meeting to be held on Friday, 18 September 2015 as convened by the accompanying Notice of Meeting;

HKD means Hong Kong dollars;

Independent Expert means BDO;

Independent Expert's Report or **IER** means the report of BDO on the fairness and reasonableness of Proposed Transaction, which is attached as Annexure A;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Non-Associated Shareholders means the holders of the CIMC Shares whose votes are not to be disregarded on the Resolution;

Notice of Meeting or **Notice** means the notice of meeting giving notice to Shareholders of the Meeting, accompanying this Explanatory Statement;

MDL means Marvel Digital Limited;

MFL or Vendor means Marvel Finance Limited;

Proposed Transaction means the transactions contemplated by the SSPA;

Related Party means a party so defined by Section 228 of the Corporations Act;

Relevant Interests has the meaning given to that term in by Sections 608 and 609 of the Corporations Act;

Resolution means a resolution set out in the Notice of Meeting;

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SSPA means the share sale and purchase agreement dated 14 May 2015 between the Company (as acquirer) and MFL (as vendor) for the acquisition of the total issued capital in MDL as amended by agreement between the parties on 27 July 2015;

Shareholders means a holder of CIMC Shares in the Company;

Subsidiaries has the meaning given to that term in the Corporations Act;

Transaction Shares means the CIMC Shares to be issued to MFL in connection with the Proposed Transaction.

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Schedule 1
Table 1 - Assets, equity, annual profit

Particulars	Prior to Proposed Transaction[1]	Effect of Proposed Transaction[2]	Post Proposed Transaction Analysis[3]	Percentage Change due to Proposed Transaction	Scale of change
Total Consolidated Assets	A$ 3,392,353	A$ 7,730,799	A$ 11,123,152	228%	3.28
Total Equity	A$ 3,305,937	A$5,507,137	A$ 8,813,074	167%	2.67
Revenue	A$ 597,626	A$3,256,675	A 3,854,301	545%	6.45
Profit / (Loss) before income tax and depreciation	(A$775,173)	A$171,001	(A$ 604,172)	N/A	N/A
Loss before income tax	(A$ 899,508)	(A$364,244)	(A$ 1,263,752)	40%	1.40
Total No. of Shares	53,220,787	28,597,179 [4]	81,817,966	54%	1.54

[1] Position of Company based on audited accounts as at and for the year ended 31 December 2014
[2] Based on management accounts of MDL as at and for the year ended 30 June 2015
[3] Pro forma
[4] This assumes that 28,597,179 Transaction Shares are issued to MFL based on consolidated net asset value of HKD 32,682,000 and the exchange rate at the completion date of HKD:AUD 5.7142

Schedule 1
Table 2 – Vendor's equity holding

	Current Capital		**Completion of Proposed Transaction**			
			Transaction Shares (Assuming consolidated net asset value of MDL = HKD 33,000,000)*		**Transaction Shares (Assuming consolidated net asset value of MDL = HKD 28,000,000)***	
	Ordinary Shares	Ordinary Shares (%)	Ordinary Shares	Ordinary Shares (%)	Ordinary Shares	Ordinary Shares (%)
(A) Vendor & Associated Persons – Existing	18,706,266	35.15%	18,706,266	22.79%	18,706,266	24.07%
(B) Transaction Shares issued under the Proposed Transaction	-	-	28,875,433	35.17%	24,500,368	31.52%
Vendor & Associated Persons – Post Proposed Transaction (A+B)	18,706,266	35.15%	47,581,699	57.96%	43,206,634	55.59%
Other Shareholders (C)	34,514,521	64.85%	34,514,521	42.04%	34,514,521	44.41%
Total (A+B+C)	53,220,787	100%	82,096,220	100%	77,721,155	100%

*As described in the Explanatory Statement, the exact number of Transaction Shares to be issued to MFL and therefore the exact extent of the increase in voting power of MFL and its associates will vary with the number of CIMC Shares finally issued. This will depend on the consolidated net asset value of MDL at the date of completion of the Proposed Transaction as well as the exchange rate between Hong Kong and Australian dollars at that date. Assuming the consolidated net asset value of MDL is HKD 33,000,000 and if the current exchange rate of HKD against AUD rises by 2%, the number of CIMC Shares to be issued will be increased to 29,452,941 resulting in MFL's voting power increasing to 58.25%. By contrast, if the exchange rate of HKD against AUD drops by 2%, the number of CIMC Shares to be issued will be decreased to 28,297,924 resulting in MFL's voting power increasing to only 57.66%.

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PROXY FORM
CHINA INTEGRATED MEDIA CORPORATION LIMITED
(ACN 132 653 948)

Extraordinary General Meeting -

I/We ....
(please print)

of ....

being a member of **China Integrated Media Corporation Limited**:

Name of proxy ....
(please print)

or failing him or her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the General Meeting of the Company to be held at **Level 4, Plaza Building Australia Square, 95 Pitt Street, Sydney, New South Wales, 2000, Australia, on 18 September 2015 at 10:00 am (EST)** and at any adjournment of that meeting.

▶ ☐

IMPORTANT NOTE:
If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on these items below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on these items and your votes will not be counted in computing the required majority if a poll is called on these items.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Proxy instructions
I/We instruct my/our proxy to vote as follows:

	FOR	AGAINST	ABSTAIN
Resolution – Approval of the Proposed Transaction, issue of Transaction Shares to Marvel Finance Limited and transfer of CIMC Shares held by Dr. Herbert Ying Chiu LEE to Marvel Finance Limited			

SIGNATURE OF MEMBERS

Member 1(Individual)	Joint Member 2 (Individual)	Joint Member 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (delete one)	Director

Date

/ /

REFER TO THE REVERSE FOR INSTRUCTION ON COMPLETING THIS FORM

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies.

2. Where more than one proxy is appointed, a separate proxy form should be used for each proxy. Each proxy must be appointed to represent a specified proportion of the member's voting rights or the number of votes given to each proxy, and this must be clearly written on the front of each form.

3. A proxy need not be a member of the Company.

4. A proxy has authority to vote on the member's behalf, as he or she thinks fit, on any motion to adjourn the meeting, or any other procedural motion, unless the member gives a direction to the contrary.

5. The proxy form must be signed by the member or the member's attorney. Proxies given by corporations must be signed either under seal or under the hand of a duly authorised officer or attorney, in accordance with the member's constitution and Corporations Act 2001.

6. To be valid, the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be lodged with the Company's correspondence address at PO Box 1171, North Adelaide SA 5006 or by facsimile on +61 8 8312 0248, not later than 7:00 pm (EST) on 16 September 2015.

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CHINA INTEGRATED MEDIA CORPORATION LIMITED

Independent Expert's Report

13 August 2015

BDO

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Financial Services Guide

13 August 2015

BDO Corporate (SA) Pty Ltd ABN 54 008 282 620 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by China Integrated Media Corporation Limited (‘**CIK**’) to provide an independent expert’s report on the proposal to purchase 100% of the shares in Marvel Digital Limited and its subsidiaries, Visumotion International Limited and Marvel Digital Shenzhen Limited (MDL) from Marvel Finance Limited (‘Vendor’) (the Transaction). You will be provided with a copy of our report as a retail client because you are a shareholder of CIK.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (‘**FSG**’). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 247307;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate (SA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate (SA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this Report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate (SA) Pty Ltd for this engagement is approximately $20,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Other Assignments
Review and audit services of financials statements for CIK were provided by BDO Audit for the periods ended 31 December 2012, 30 June 2013 and 31 December 2013.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from CIK for our professional services in providing this Report. That fee is not linked in any way with our opinion as expressed in this Report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate (SA) Pty Ltd, GPO Box 2018 Adelaide SA 5001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (‘**FOS**’). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying Report.

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AUSTRALIA

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The Directors
China Integrated Media Corporation Limited
Suite 3
21 Beafield Rd
PARA HILLS WEST SA 5096

13 August 2015

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 14 May 2015, China Integrated Media Corporation Limited (‘**CIK**’ or ‘**the Company**’) announced the Company has entered into a Share Sale and Purchase Agreement (‘**SSPA**’) to acquire the entire issued capital of Marvel Digital Limited (‘**MDL**’) from Marvel Finance Limited (‘**Vendor**’or ‘**MFL**’), a company beneficially owned by the Chairman and the substantial shareholder of the Company, Dr Herbert Ying Chiu Lee (‘**Dr Lee**’). If the transaction is approved and completed, then the Vendor becomes the controlling shareholder of CIK, holding approximately 55% (inclusive of existing and new shares) in the enlarged share capital of the Company.

The parties have agreed to various terms and conditions under the SSPA. In summary:

- CIK will acquire 100% of the equity interests in MDL with an expected purchase price of between HKD28 million and HKD33 million
- The initial consideration for the 100% equity interests in MDL shall be the consolidated net asset value of the MDL which shall not be less than HKD28,000,000 at the completion date
- The initial consideration shall be paid by the issuance of CIK shares at a price of AUD20 cents per share (‘**Transaction Shares**’)
- The Company will also pay a deferred performance fee calculated as five (5) times the average annualized consolidated profits of MDL for the period of two years from the completion date, less the Initial Consideration.

MFL has also agreed that the Transaction Shares will be subject to a 12 month voluntary escrow period during which time MFL will not be permitted, nor be permitted to agree to, sell, assign, transfer or otherwise dispose of the Transaction Shares.

MDL and Dr Lee have informed the Company that they intend to transfer 10,370,000 CIK shares held by MDL and 8,336,266 CIK shares held by Dr Lee (together representing approximately 35.15% of the CIK shares) to MFL between the date the Transaction is approved and the allotment of the Transaction Shares to MFL.

BDO Corporate (SA) Pty Ltd ABN 54 008 282 620 AFS Licence No. 247307 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate (SA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

The acquisition of 100% of the equity interests in MDL, the issuance of the CIK shares as consideration for the acquisition together with the transfer of CIK shares from MDL and Dr Lee to MFL are referred to as (‘**the Transaction**’).

Completion of the Transaction requires the approval of CIK’s shareholders. Shareholder approval pursuant to Section 611 Item 7 of the Corporations Act 2001 (Cth) (the ‘**Act**’) is required for a person (including their associates) to acquire voting power in a company of greater than 20%. The Company is seeking shareholder approval for the Transaction to satisfy the requirements of:

- Section 606 and Section 611 Item 7 of the Act as Summary and Opinion
- ASX Listing Rule 7.1 (‘**LR 7.1**’)
- ASX Listing Rule 10.1 (‘**LR 10.1**’)
- ASX Listing Rule 10.11 (‘**LR 10.11**’).

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2. Summary and Opinion

2.1. Purpose of the Report

The directors of CIK have requested that BDO Corporate (SA) Pty Ltd (‘**BDO**’) prepare an independent expert’s report (‘**our Report**’) to express an opinion as to whether or not the proposed acquisition of MDL through the issue of CIK shares is fair and reasonable to the non-associated shareholders of CIK (‘**Shareholders**’).

Our Report is prepared pursuant to Section 611 of the Corporations Act, ASX Listing Rule 7.3, ASX Listing Rule 10.1 and ASX Listing Rule 10.11 and is to be included in the Explanatory Memorandum for CIK in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2. Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (‘**ASIC**’), Regulatory Guide 74 ‘Acquisitions Approved by Members’ (**‘RG 74’**), Regulatory Guide 111 ‘Content of Expert’s Reports’ (‘**RG 111**’) and Regulatory Guide 112 ‘Independence of Experts’ (‘**RG 112**’).

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this Report. We have considered:

- How the value of a CIK share prior to the Transaction on a controlling basis compares to the value of a CIK share following the Transaction on a minority basis
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction
- The position of Shareholders should the Transaction not proceed.

2.3. Opinion

We have considered the terms of the Transaction as outlined in the body of this Report and have concluded that, in the absence of a superior offer, the Transaction **is fair and reasonable to Shareholders.**

In our opinion, the Transaction is fair because the value of a CIK share prior to the Transaction on a controlling interest basis is less than the value of a CIK share following the Transaction on a minority interest basis.

We consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will provide the Company with the opportunity to enter a growth industry and to potentially capitalise on the development of MDL’s intellectual property.

2.4. Fairness

In section 12, we determined that the value of a CIK share prior to the Transaction on a controlling interest basis is less than the value of a CIK share following the Transaction on a minority interest basis. This has been determined as detailed below:

	Ref	Low Cents	Preferred Cents	High Cents
Value of a CIK share prior to the Transaction on a controlling interest basis	10.3	5.76	5.76	5.76
Value of a CIK share following the Transaction on a minority interest basis	11.4	8.16	8.49	8.82

The above pricing indicates that, in the absence of any other relevant information the Transaction is fair to Shareholders.

2.5. Reasonableness

We have considered the analysis in section 13 of this Report, in terms of both

(a) advantages and disadvantages of the Transaction; and

(b) other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is completed is more advantageous than the position if the Transaction is not completed. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable to Shareholders.

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The respective advantages and disadvantages considered are summarised below:

Advantages and Disadvantages			
Section	**Advantages**	**Section**	**Disadvantages**
13.1.0	The Transaction is fair		
13.1.1	Creation of a complementary business model	13.2.1	Dilution of existing Shareholders' interests
13.1.2	Integration of the businesses may provide synergies	13.2.2	Deferred performance fee
13.1.3	Creation of a combined group with a more diversified business	13.2.3	Liabilities to Dr Lee
13.1.4	Opportunity for further growth of the combined businesses	13.2.4	Potential lower liquidity of shares
13.1.5	The Transaction will increase the market capitalisation of the Company		

Other key matters we have considered include:

Section	Description
13.3.1	Alternative Proposals
13.3.2	Value evident from comparable market transactions
13.3.3	Practical level of control
13.3.4	Change in risk profile of investment
13.3.5	Potential decline in share price if the Transaction is not completed

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3. Scope of the Report

3.1. Purpose of the Report

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If the Transaction is approved and implemented, the minimum number of CIK shares to be issued for the Initial Consideration is 24,500,368 using the exchange rate of HKD/AUD 5.7142 as of 4 August 2015.

If the Transaction is approved and implemented, Dr Lee and associated entities will increase his shareholding from 35.15% to 55.59% after a successful Transaction. The above subscription would therefore increase Dr Lee's interest in Shares from a point that is above 20% to below 90%.

Item 7 of Section 611 of the Act provides an exception to the prohibition on the basis that the acquisition is approved by resolution at a general meeting of shareholders in favour of the acquisition.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting of shareholders at which no votes are cast in favour of the resolution by any party who is associated with the party from whom the shares are to be acquired, or by the party from whom the shares are to be acquired. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of CIK, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of CIK have commissioned this Independent Expert's Report to satisfy this obligation.

LR10.1 provides that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

LR 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

The 100% equity interest in CIK based upon the most recent accounts given to the ASX was $3.3 million as at 31 December 2014, equating to a 5% equity interest of $0.33 million.

If the Transaction is approved and implemented, the value of the consideration payable for MDL is a minimum of HKD28 million which will be significantly greater than $0.33 million.

The CIK share register as at 4 August 2015 discloses that Dr Lee and associated entities have a 35.15% interest in CIK, making Dr Lee a related party.

LR 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the Transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the Transaction.

The directors of CIK have commissioned this Independent Expert's Report to satisfy this obligation.

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LR 7.1 provides that a company must not, subject to specific exceptions, issue and agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity, if the number of these securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period, without obtaining shareholder approval.

LR 7.3 allows for the holders of ordinary securities to approve an issue or agreement to issue under rule 7.1 where the notice of meeting must include certain prescribed information.

As the Transaction involves the issuance of equity securities to a related party, it will be conditional on approval by Shareholders under LR 10.11. The purpose of LR 10.11 is to avoid any inappropriate transfer of value from a listed entity in the circumstances of related party transactions.

As a result of the above, the Transaction will require the approval of Shareholders. Whilst an IER is not technically required under LR 7.1 and LR 10.11 approval processes, the Directors have decided to commission a report to provide an opinion to Shareholders as to the fairness and reasonableness of the Transaction.

3.2. Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3. Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a CIK share prior to the Transaction on a controlling interest basis compared with the value of a CIK share following the Transaction on a minority interest basis (fairness - see section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see section 13 'Is the Transaction Reasonable?').

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This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

> *'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time. Where a Member has entered into a Valuation Engagement but during the course of performing the Valuation Engagement the Member becomes aware of a limitation or restriction that, if it had been known at the time the Engagement or Assignment was entered into, would have made the Engagement or Assignment a Limited Scope Valuation Engagement then the Valuation Engagement will become a Limited Scope Valuation Engagement.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

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4. Outline of the Transaction

On 14 May 2015, CIK announced it had entered into a share sale and purchase agreement ('**SSPA**') regarding the proposed acquisition of all of the issued shares in MDL.

The parties have agreed to various terms and conditions under the Share Sale and Purchase Agreement. In summary:

- CIK will acquire 100% of the equity interests in MDL with an expected purchase price of between HKD28 million and HKD33 million
- The initial consideration for the 100% equity interests in MDL shall be the consolidated net asset value of MDL which shall not be less than HKD28 million at the completion date
- The initial consideration shall be paid by the issuance of CIK shares at a price of AUD 20 cents per share
- The Company will also pay a deferred performance fee calculated as five (5) times the average annualized consolidated profits of MDL for the period of two years from the completion date, less the Initial Consideration.

MFL has also agreed that the Transaction Shares will be subject to a 12 month voluntary escrow period during which time MFL will not be permitted, nor be permitted to agree to, sell, assign, transfer or otherwise dispose of the Transaction Shares.

MDL and Dr Lee have informed the Company that they intend to transfer 10,370,000 CIK shares held by MDL and 8,336,266 CIK shares held by Dr Lee (together representing approximately 35.15% of the CIK shares) to MFL between the date the Transaction is approved and the allotment of the Transaction Shares to MFL.

If the transaction is approved and completed, then the Vendor becomes the controlling shareholder of CIK, holding approximately 55% (inclusive of existing and new shares) in the enlarged share capital of the Company.

The Transaction is subject to and conditional upon the execution of formal binding documentation and the satisfaction (or waiver) of conditions by 30 September 2015, including but not limited to:

- the Purchaser notifying the Vendor in writing that it is satisfied in reliance on the Warranties and upon having completed its due diligence (including without limitation, legal, financial and commercial aspects) in respect of MDL referred to in Clause 3.3 of the SSPA and the results of which are, in the absolute opinion of the Purchaser, satisfactory and acceptable to the Purchaser in all respects
- the Listing Committee of the Australian Securities Exchange granting listing of and permission to deal in the Consideration Shares and any Shares which may be issued in connection with this Agreement
- if appropriate, confirmation from the ASX or ASIC or Shareholders that (i) the issuance of the Consideration Shares contemplated in this Agreement and (ii) the reorganization and transfer of Dr Lee Shares and MDL Shares to a special purpose vehicle wholly and beneficially owned by the Vendor will not give rise to any obligation on the part of the Vendor or any of its associates to make a general offer to acquire all the shares of CIK
- Approval by the eligible shareholders of CIK to approve the transaction and the Consideration Shares contemplated to be issued

- the Vendor having obtained all necessary consents and approvals for the transactions contemplated under this Agreement (if required) from the relevant governmental or regulatory authorities in Australia or elsewhere under the relevant applicable laws and regulations
- the Purchaser having obtained all necessary consents and approvals for the transactions contemplated under this Agreement (if required) from the relevant governmental or regulatory authorities in Australia or elsewhere under the relevant applicable laws and regulations
- the Vendor and or MDL having complied with its pre-Completion obligations specified in Clause 8 of the SSPA and otherwise having performed all of the covenants and agreements required to be performed under the SSPA
- the Warranties remaining true and accurate and not misleading in any material respect as if repeated on the Completion Date and at all times between the date of this Agreement and the Completion Date.

The capital structure of CIK post completion of the Transaction is as follows:

Shares following the Transaction	Dr Lee and MDL	Other Top 20 Shareholders	Other Shareholders	Total
Issued shares as at the date of this Report	18,706,266	26,728,296	7,786,225	53,220,787
% holdings as at the date of this Report	*35.15%*	*50.22%*	*14.63%*	*100.00%*
Minimum number of shares to be issued to Vendor on completion of the Transaction (using exchange rate as at 4 August 2015)	24,500,368	-	-	24,500,368
Issued shares following completion of the Transaction	**43,206,634**	**26,728,296**	**7,786,225**	**77,721,155**
% holdings following completion of the Transaction	*55.59%*	*34.39%*	*10.02%*	*100.00%*

Source: Share registry information and BDO analysis

As outlined above:

- Dr Lee and associates hold an interest of 35.15% in CIK
- if the Transaction is completed Dr Lee and associates will hold an interest of 55.59% in CIK.

The Company is seeking shareholder approval for Dr Lee's interest, together with associates, in CIK to increase from 35.15% to 55.59%.

The closing share price of CIK on the last full trading day prior to the announcement of the Transaction was $0.20. The Shares were last traded on 7 July 2015.

The Company has no share options outstanding as at the date of this Report.

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5. Profile of CIK

5.1 History

CIK is an Australian public company that was incorporated in 2008 and listed on the Australian Securities Exchange (‘**ASX**’) on 22nd February 2013. The Company is based in Para Hills West, South Australia and has offices in Australia, China and Hong Kong. CIK’s main business activities are predominately focused in “glass-free 3D (autostereoscopic) digital advertising” and the “gaming and entertainment” market sector.

The Company’s current board members and senior management are shown below:

- Dr Herbert Ying Chiu Lee – Chairman and CEO
- Dr Man-Chung Chan - Non-Executive Director
- Mr Alson Lau – Chief Financial Controller
- Mr Jeffrey Chang – Director of Operation.

5.2 Products and services

The products and services currently provided by CIK are set out below.

Gaming & Entertainment

CIK's focus is to enter the Chinese domestic consumer market. With a growing economy and a state sponsored desire to increase domestic consumption, CIK intends to extend its focus on the Chinese gaming and entertainment market, initially in the areas of the Chinese welfare lottery.

Digital Multimedia

CIK's focus during the course of the financial year were the development of the digital advertising platform in glasses-free 3D (autostereoscopic), distribution of the digital displays and 3D software, provision of 3D consultancy services and lottery gaming in China.

CIK aims for the digital advertising sector is to build a network and become a provider of glasses-free 3D (autostereoscopic) digital advertising services in Australia, China and Hong Kong.

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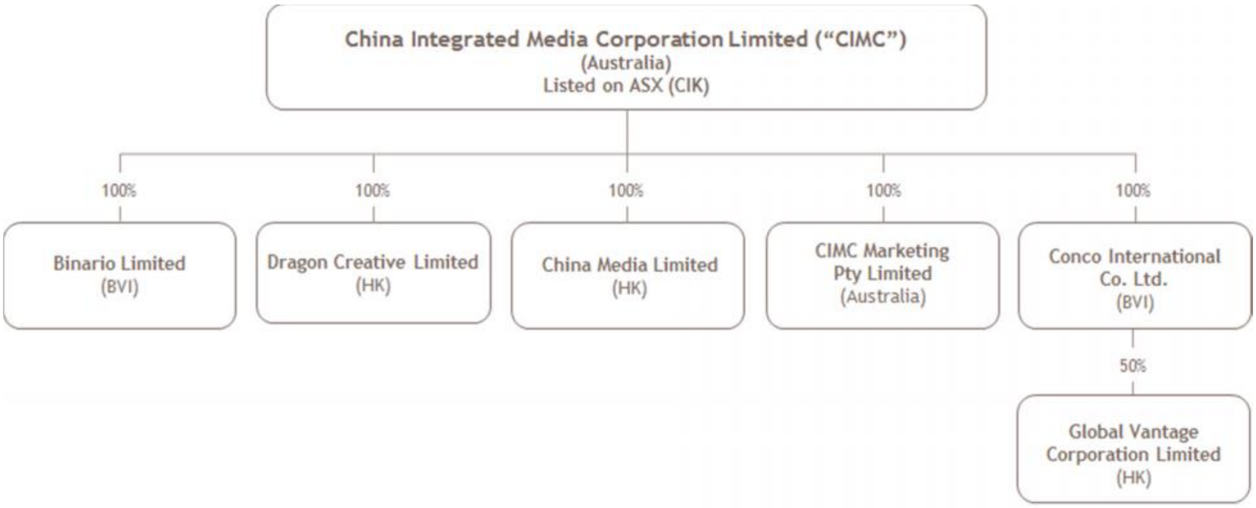
5.3 Company Structure

The Company's structure prior to the Transaction is set out below.



5.4 Capital Structure

The share structure of CIK as at 13 August 2015 is outlined below:

	Number
Total ordinary shares on issue	53,220,787
Top 20 shareholders	45,434,562
Top 20 shareholders - % of shares on issue	85.37%

Source: Share registry information

The range of shares held in CIK as at 13 August 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1-1,000	-	-	-
1,001 - 5,000	2	7,500	0.01%
5,001 - 10,000	259	2,590,000	4.87%
10,001 - 100,000	79	2,758,575	5.18%
100,001 - 259,999	13	2,430,150	4.57%
260,000 - 999,999	9	3,791,029	7.12%
1,000,000 and over	11	41,643,533	78.25%
TOTAL	**373**	**53,220,787**	**100.00%**

Source: Share registry information

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The ordinary shares held by the top 20 shareholders of CIK as 13 August 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
JADEMAN INTERNATIONAL LTD	11,213,734	21.07%
MARVEL DIGITAL LTD	10,370,000	19.48%
LEE HERBERT YING CHIU	8,336,266	15.66%
FORELAND GLOBAL LTD	2,500,000	4.70%
ZHANG TIAN YOU	2,472,533	4.65%
MAXCOM GRP INTNL LTD	1,500,000	2.82%
LEE EDWIN YING YUEN	1,200,000	2.25%
UNERKOV MARISA	1,040,000	1.95%
VALDARNO PL	1,011,000	1.90%
UNERKOV PAUL	1,000,000	1.88%
AISCSO LTD	1,000,000	1.88%
WINGMONT PL	785,000	1.47%
ASIARIM ASSOC LTD	695,000	1.31%
ZHANG TIAN YOU	500,000	0.94%
JOHN D CHATAWAY NOM PTY	343,075	0.64%
CHANG JEFFREY MING-YIH	307,954	0.58%
UNERKOV CON	300,000	0.56%
PTY NORTHERN FOOD D	300,000	0.56%
UNERKOV PAUL + MARISA	300,000	0.56%
INTEK SOLUTIONS PL	260,000	0.49%
Total Top 20	45,434,562	85.37%
Others	7,786,225	14.63%
Total ordinary shares on issue	**53,220,787**	**100.00%**

Source: Share registry information

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5.5 Historical Statement of Financial Position

Statement of Financial Position	Unaudited as at 30-Apr-15 $'000	Audited as at 31-Dec-14 $'000	Audited as at 31-Dec-13 $'000	Audited as at 31-Dec-12 $'000
CURRENT ASSETS				
Cash and cash equivalents	2,331	2,228	1,423	26
Trade and other receivables	75	222	894	37
Inventories	-	-	-	999
Financial assets at fair value	841	614	1,099	629
Other current assets	24	53	8	46
TOTAL CURRENT ASSETS	3,271	3,117	3,424	1,737
NON-CURRENT ASSETS				
Plant and equipment	424	275	454	2
TOTAL NON-CURRENT ASSETS	424	275	454	2
TOTAL ASSETS	3,695	3,392	3,878	1,739
CURRENT LIABILITIES				
Borrowings	-	-	-	1,163
Other liabilities	347	83	40	267
Provisions	-	3	1	1
TOTAL CURRENT LIABILITIES	347	86	41	1,431
TOTAL LIABILITIES	347	86	41	1,431
NET ASSETS	**3,348**	**3,306**	**3,837**	**308**
EQUITY				
Share capital	5,194	5,132	5,132	1,552
Reserve	666	590	221	(69)
Accumulated losses	(2,512)	(2,416)	(1,516)	(1,175)
TOTAL EQUITY	**3,348**	**3,306**	**3,837**	**308**

Source: Financial Statements of CIK for the period ended 30 April 2015, years ended 31 December 2014, 2013 and 2012.

The Auditor expressed the following opinion for the above financial report for the year ended 31 December 2014:

> *In the Auditor's opinion, the financial report of China Integrated Media Corporation Limited is in accordance with the Corporations Act 2001, including giving a true and fair view of consolidated entity's financial position as at 31 December 2014 and of their performance for the year ended on the date and compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.*

The same opinion was expressed for the years ended 31 December 2013 and 2012.

We note the following in relation to CIK's historical Statement of Financial Position:

- Cash and cash equivalents increased from approximately $26,000 at 31 December 2012 to $1,423,000 at 31 December 2013 mainly as a result of 17,900,000 shares being issued at the Company's IPO in February 2013. The total share capital increase from this issuance of shares include cash receipt of $2,207,000 and $1,373,000 being convertible notes, loans from related parties and other payables converted into equity of the Company. The Company's increase in cash and cash equivalents during the year ended 31 December 2014 is as a result of increased operating revenue and effect of exchange rate changes
- Trade and other receivables significantly decreased during the year ended 31 December 2014
- Trading securities have increased in value by $470,000 (incl exchange gain) during the year ended 31 December 2013 and decreased in value by $485,000 (net of exchange gain)
- Plant and equipment increased by $452,000 during the year ended 31 December 2013 due to additions in leasehold improvements and office equipment. The decrease of plant and equipment during the year ended 31 December 2014 is as a result of disposal of both leasehold improvements and office equipment in addition to the normal depreciation expenses
- The reserve is used to recognize exchange difference arising from translation of the financial statements of foreign operations to Australian dollars
- Issued capital increased from $1,552,000 to $5,132,000 during the year ended 31 December 2013 as a result of 17,900,000 shares being issued at the Company's IPO in February 2013 at $0.20 per share
- The Company's net loss for the year ended 31 December 2013 and 2014 are $341,000 and $900,000 respectively, increasing the accumulated losses to $2,416,000 as at 31 December 2014.

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5.6 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Unaudited for the period ended 30-Apr-15 $'000	Audited for the year ended 31-Dec-14 $'000	Audited for the year ended 31-Dec-13 $'000	Audited for the year ended 31-Dec-12 $'000
Revenue				
Revenue from operating activities	428	595	1,217	22
Interest income	-	3	4	-
Other income	267	-	355	164
Total revenue	**695**	**598**	**1,576**	**186**
Expenses				
Cost of revenue	250	264	1,095	-
Employee benefit expenses	191	198	190	22
Depreciation expenses	58	125	109	70
Professional and consulting expenses	247	163	419	56
Loss on financial assets at fair value	-	552	-	456
Travel and accommodation expenses	3	29	53	21
Other expenses	42	167	50	35
Finance costs	-	-	1	11
Total expenses	**791**	**1,498**	**1,917**	**671**
Loss from continuing operations before income tax	**(96)**	**(900)**	**(341)**	**(485)**
Income tax benefit (expense)	-	-	-	-
Loss from continuing operations after income tax	**(96)**	**(900)**	**(341)**	**(485)**
Foreign currency translation	76	369	290	49
Total comprehensive loss for the year	**(20)**	**(531)**	**(51)**	**(436)**

Source: Financial Statements of CIK for the 4 months ended 30 April 2015, years ended 31 December 2014, 2013 and 2012.

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Please refer to section 5.5 for the Auditor's opinion for the years ended 31 December 2014, 2013 and 2012.

We note the following in relation to CIK's historical Statement of Profit or Loss and Other Comprehensive Income:

- Other income for the year ended 31 December 2013 was a gain on financial assets at fair value through the profit and loss. Other income for the year ended 31 December 2012 was in relation to the disposal of plant and equipment and the disposal of subsidiaries
- The Company's loss from continuing operations increased from $341,000 for the year ended 31 December 2013 to $900,000 for the year ended 31 December 2014. This increase in operating loss is primarily attributable to the fall in the value of the trading securities that CIK holds. The trading securities increased in value by $355,000 in the year ended 31 December 2013 and decreased in value by $552,000 in the year ended 31 December 2014
- The Company's cost of revenue in proportion to Revenue has decreased
- The significant professional and consulting expenses in 2013 were in relation to the Company's IPO and issuance of shares.

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6. Profile of MDL

6.1 History and overview

MDL is a limited liability company incorporated in Hong Kong in 2009. MDL is a technology company and has two wholly-owned subsidiary companies namely Visumotion International Limited (VIL) and Marvel Digital Shenzhen Limited (MDSZ) incorporated in Hong Kong and China, respectively.

VIL has been a 100% subsidiary of MDL since its incorporation.

MDSZ was held by MDL on behalf of Marvel Finance Limited under a declaration of trust since incorporation. MDL acquired MDSZ on 1 May 2015 for its net asset value.

MDL is engaged in the development of:

- a proprietary digital content management system for the display of images, in both 2D or autostereoscopic (glasses-free) 3D format, to networked screens over the internet
- 2D to 3D conversion systems and
- autostereoscopic 3D display technology.

The current directors and senior management of MDL are:

- Dr Herbert Ying Chiu Lee – Chairman and CEO
- Mr Lionel Cheng – Director of Operation
- Mr William Ng - Director of 3D R&D
- Mr Patrick Wong - Senior Sales and Operation Manager
- Mr Hoson Lam – Director of Technology Development.

6.2 Operations

MDL is an innovator in 3D autostereoscopic (glasses-free) technology. MDL provides one of the most advanced autostereoscopic technology and products for implementation of digital signage and consumer electronics. MDL provides total solutions for deploying large worldwide 3D advertising networks.

The following outlines the core technology of MDL:

Autostereoscopic Displays

MDL produces 8″ to 82″ autostereoscopic displays based on parallax barrier and lenticular optical filters. MDL's autostereoscopic displays are the best for image quality and cost solutions in autostereoscopic displays. MDL's self-developed optical filters are designed for high image quality at a relatively low cost.

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3D Multi-view Multimedia Production Systems

MDL provides a product which can perform automatic to semi-automatic 2D to 3D video conversion for up to 4K 10bit videos. MDL's 3D media production facilities in China are well-equipped with advanced video production equipment and a pool of experts, both in 3D animation and video editing/production.

Implanted Automatic 2D to 3D Multi-view Converter (3DMe-RT)

The converter is a device to be connected to MDL's autostereoscopic displays for real time conversion of 2D or 3D L/R format to 3D multi-view, suitable to be displayed on MDL's autostereoscopic displays.

Marvel 3DS Digital Signage Platform

- Content Management System (3DS-CMS)

  3DS-CMS is a state-of-the-art digital signage server. It supports 3D autostereoscopic media distribution when working with MDL's 3DS-Node player. 3DS-CMS can remotely control and distribute 2D and 3D digital content to thousands of autostereoscopic displays located worldwide

- An Android based 3D Digital Signage Player (3DS-Node)

  3DS-Node is a cost-effective Android device loaded with 3DS application. 3DS-Node is fast and works with MDL's 3DS-CMS through built-in WiFi or mobile 3G module. It supports resolutions up to 1080p/60 with HDMI. The 3DS-Node supports MDL's autostereoscopic display units to provide a glasses-free 3D digital signage experience.

- Customized Displays of special optical effects

  MDL can also provide customized autostereoscopic displays with special effects (gimmicks) like holograms, stealth vision and 3D look through. Together with 3DS-Node player, all promotion displays can be managed under the same platform using one management interface, which greatly simplifies management operation.

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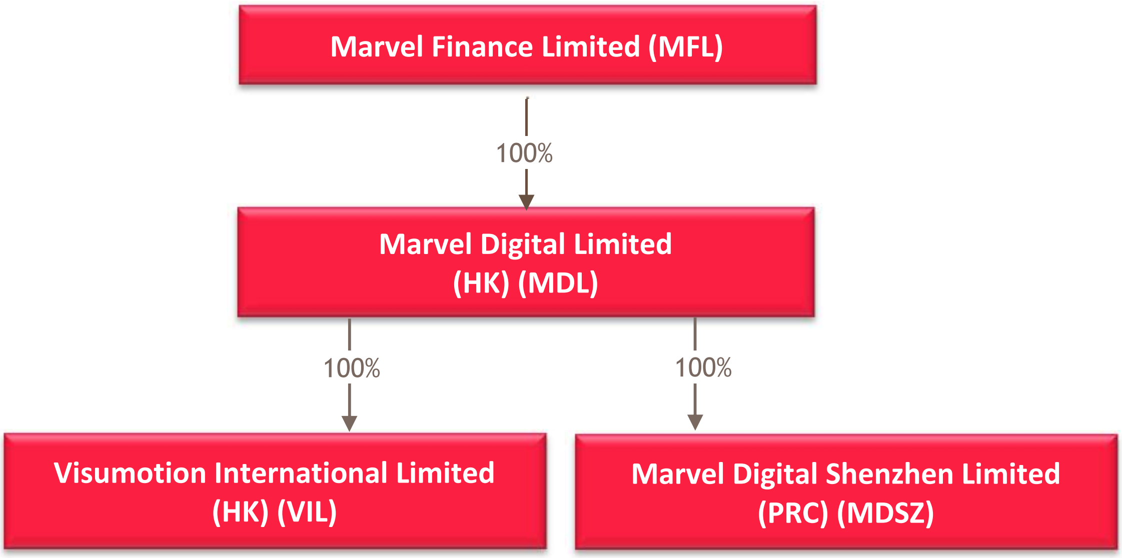
6.3 Company Structure

MDL's structure prior to the Transaction is set out below. Please note MDSZ was acquired by MDL on 1 May 2015.



6.4 Capital Structure

The shareholder of Marvel Finance Limited at the date of our Report is detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Dr Herbert Ying Chiu Lee	1	100%
Total ordinary shares on Issue	**1**	**100%**

Source: MDL Management

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6.5 Historical Statement of Financial Position - MDL

Statement of Financial Position	Unaudited as at 30-Jun-15 HKD'000	Audited as at 31-Mar-14 HKD'000	Audited as at 31-Mar-13 HKD'000	Audited as at 31-Mar-12 HKD'000
CURRENT ASSETS				
Cash and cash equivalents	6,600	122	816	546
Trade and other receivables	-	3,080	7,191	1,508
Inventories	6,485	184	-	4,251
Financial assets at fair value	16,663	16,663	16,663	-
Amounts due from related parties	-	42,317	12,986	3,849
Other current assets	4,306	202	10,757	7,814
TOTAL CURRENT ASSETS	34,054	62,568	48,413	17,968
NON-CURRENT ASSETS				
Plant and equipment	9,502	4,730	3,232	730
Development projects	7,555	3,897	3,091	3,567
Intangible assets	11,431	7,864	815	488
TOTAL NON-CURRENT ASSETS	28,488	16,491	7,138	4,785
TOTAL ASSETS	62,542	79,059	55,551	22,753
CURRENT LIABILITIES				
Trade and other payables	1,400	651	2,932	6,273
Deposits received	881	1,600	-	-
Amount due to the director	27,579	-	-	-
Bank overdraft	-	26,048	24,166	6,394
Secured bank loans	-	19,329	-	-
TOTAL CURRENT LIABILITIES	29,860	47,628	27,098	12,667
NON-CURRENT LIABILITIES				
Loan from director	-	-	18,488	381
TOTAL NON-CURRENT LIABILITIES	-	-	18,488	381
TOTAL LIABILITIES	29,860	47,628	45,586	13,048
NET ASSETS	**32,682**	**31,431**	**9,965**	**9,705**
EQUITY				
Share capital	30,000	30,000	9,700	9,700
Retained profits	2,682	1,431	265	5
TOTAL EQUITY	**32,682**	**31,431**	**9,965**	**9,705**

Source: Consolidated accounts for MDL as at 30 June 2015, 31 March 2014, 2013 and 2012

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In the Auditor's opinion, the consolidated financial statements give a true and fair view of the state of the company and the group's affairs as at 31 March 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance. The same opinion was expressed by the Auditor for the year ended 31 March 2013.

For the year ended 31 March 2012, a qualified opinion was expressed. The basis for qualified opinion was that the Auditor was appointed after the year end and thus did not observe the counting of physical stocks at the beginning and end of the year. The Auditor was unable to satisfy themselves by alternative means concerning the stock quantities held at 31 March 2011 and 2012. As a result, the Auditor was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded stocks, and the elements making up the statement of comprehensive income and the net cash flows from operating activities in the statement of cashflows. In the Auditor's opinion, except for the effect of the matter described in the basis of qualified opinion paragraph concerning stocks, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

We have not undertaken a review of MDL's financial accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the financial accounts has not been prepared on a reasonable basis.

We note the following in relation to MDL's Statement of Financial Position:

- MDL acquired MDSZ as at 1 May 2015 and the Consolidated Statement of Financial Position as at 30 June 2015 included MDL and its two subsidiaries
- Cash and cash equivalents decreased to HKD122,000 as at 31 March 2014, but increased to HKD6,600,000 as at 30 June 2015
- Financial assets represented the investment in CIK shares. MDL has been holding 10,370,000 number of CIK shares since the IPO of CIK in February 2013. Such investments will be transferred to MFL at book value upon the completion of the Transaction
- The amounts due from related parties of HKD42,317,000 as at 31 March 2014 was due from the director Dr Lee. The amounts due from related parties of HKD12,986,000 as at 31 March 2013 was due from the companies controlled by Dr Lee. These amounts have all been repaid
- The company's bank overdraft and secured bank loans have increased in the past few years, reaching a total of HKD45,377,000 as at 31 March 2014. The bank overdraft and bank loans were repaid as at 30 June 2015. We note the bank loans are secured by the director's property and personal guarantees given by the director
- Development projects represent expenditure in developing 3D autostereoscopic technology, various interactive multimedia products and information technology projects
- Intangible assets have significantly increased in 2014 and 2015 years. The increase was a result of additions in patents and licences
- Additional shares were issued to raise capital during the year ended 31 March 2014.

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6.6 Historical Statement of Profit or Loss and Other Comprehensive Income - MDL

Statement of Profit or Loss and Other Comprehensive Income	Unaudited for the twelve months ended 30-Jun-15 HKD'000	Audited for the year ended 31-Mar-14 HKD'000	Audited for the year ended 31-Mar-13 HKD'000	Audited for the year ended 31-Mar-12 HKD'000
Revenue				
Turnover	21,130	10,574	13,234	6,889
Other income	362	3,960	18	3
Total revenue	**21,492**	**14,534**	**13,252**	**6,892**
Expenses				
Cost of sales	6,397	2,662	8,122	2,679
Depreciation expenses	3,473	1,588	717	139
Staff costs	6,165	4,346	2,383	1,581
Administrative and other operating expenses	7,227	4,366	1,636	2,479
Finance costs	594	406	134	55
Total expenses	**23,856**	**13,368**	**12,992**	**6,933**
(Loss)/profit for year/period	**(2,364)**	**1,166**	**260**	**(41)**
Other comprehensive income for the year/period	-	-	-	-
Total comprehensive (expense)/income for the year/period	**(2,364)**	**1,166**	**260**	**(41)**

Source: Consolidated accounts for MDL for the twelve months ended 30 June 2015 and years ended 31 March 2014, 2013 and 2012

Please refer to the notes in section 6.5 for the audit opinions for the years ended 31 March 2014, 2013 and 2012.

The financial statements have been expresed using the exchange *rate as at the relevant year end date. We have not undertaken a review of MDL's financial accounts in accordance* with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the financial accounts has not been prepared on a reasonable basis.

We note the following in relation to the financial performance of MDL:

- The unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the twelve months ended 30 June 2015 included the results of MDL and its two subsidiaries
- The financial statements have been prepared by Management on the assumption that MD Shenzhen was acquired by MDL as at beginning of the period, i.e. 1 July 2014. The turnover and loss of MD Shenzhen for the twelve months ended 30 June 2015 was approximately HKD10,820,000 and HKD3,727,000 respectively
- The company has been gradually increasing its profitability in the past three years

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- Sales to related companies were HKD2,816,000 and purchases from related companies were HKD1,076,500 in 2014 year. There were no related party transactions in 2013 year
- The other income in 2014 predominantly included a gain from the resolution of a dispute with a supplier resulting in an agreement that certain amounts would not be payable.
- Depreciation expenses have increased due to increased investments in plant and equipment during the past few years
- The increase in administrative and other operating expenses are as a result of increase in office rent, consultancy and accounting fees, advertising and travel expenses.

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7. Economic analysis

The global economy is expanding at a moderate pace, but some key commodity prices are much lower than a year ago. Much of this trend appears to reflect increased supply, including from Australia. Australia's terms of trade are falling nonetheless.

The Federal Reserve is expected to start increasing its policy rate later this year, but some other major central banks are continuing to ease policy. Hence, global financial conditions remain very accommodative. Despite fluctuations in markets associated with the respective developments in China and Greece, long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low.

In Australia, the available information suggests that the economy has continued to grow. While the rate of growth has been somewhat below longer-term averages, it has been associated with somewhat stronger growth of employment and a steady rate of unemployment over the past year. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. Recent information confirms that domestic inflationary pressures have been contained. That should remain the case for some time, given the very slow growth in labour costs. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending. Credit is recording moderate growth overall, with growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities. The Bank is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates. The Australian dollar is adjusting to the significant declines in key commodity prices.

The [RBA] Board today judged that leaving the cash rate unchanged was appropriate at this meeting. Further information on economic and financial conditions to be received over the period ahead will inform the Board's ongoing assessment of the outlook and hence whether the current stance of policy will most effectively foster sustainable growth and inflation consistent with the target.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision* 4 August 2015

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8. Industry analysis

8.1. Digital displays and digital advertising

Billboards and outdoor advertising services have existed for a long time. Yet, for much of this time they have been in the shadow of more technologically advanced advertising media, such as television and radio, which have traditionally been more popular with both consumers and advertisers. The advent of high-speed internet and digital television has provided audiences with more avenues for entertainment. This has left advertisers with fewer mass-market media platforms, due to audience fragmentation. Advertisers have been increasingly recognising out-of-home (OOH) advertising services as an important component for delivering their message to a mass audience. OOH advertising services have been further enhanced by the introduction of an improved audience metric system called measurement of outdoor visibility and exposure (MOVE), and the development of digital displays allowing more advertisements and greater presentation options in one space. These innovations have contributed to the increased popularity of billboards and other forms of outdoor advertising over the past five years.

The global display market covers the entire spectrum of display technologies and types available/manufactured across the globe. The display market includes various displays used primarily in consumer products such as smartphone, TV, laptop, e-readers, and so on. The display technology witnessed a rapid transformation from conventional displays such as CRT to LCD, TFT-LCD, LED-LCD, LED display, and so on. The latest display type is OLED in its many variants, which is an extended version of LED display, and E-Ink primarily used in tablets and e-readers. A few other display technologies which occupy a niche in the global display market include DLP and LCoS display technologies which are utilized in projectors and other related display products and applications.

The gradual shift from the conventional display type that includes flat panel display type to flexible displays has had a huge impact on the display market. Rise in demand for flexible display type based products and applications which are currently utilized in smartphones and tablets among others, have been noticed. The latest display type includes transparent and 3D displays which are in the developmental stage and yet to become commercially viable and profitable.

8.2. Outlook

Global Market

The global display market is expected to reach US$155.54 billion by 2020, at an estimated CAGR of 6% from 2015 to 2020. The consumer electronics segment held the largest market share with 54% in 2013.

PQ Media suggest that the global digital out of home market is estimated at US$10 billion for 2014 growing to $16 billion by 2018. They estimated the largest market as the United States at US$2.37 billion ahead of China with $1.87 billion. They identified fast growing markets as Brazil at 41.9% and Australia at 23.6%.

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Australian Market

Over the five years through 2014-15, the OOH market revenue is expected to grow by an annualised 3.4% to reach $620.0 million. The industry exhibited high revenue volatility during the late 2000s, associated with the global financial crisis and constraints in advertising budgets. However, the industry has since posted strong growth due to its increased presence in the public transport and airport markets. Industry revenue is projected to grow by 2.2% during 2014-15, supported by increased demand from media buying agencies but contained by adverse consumer sentiment.

The industry's prospects remain solid over the next five years, supported primarily by the increasing use of digital media displays, the further expansion into OOH advertising locations and solid growth in new car registrations. However, subdued consumer sentiment is likely to contain the expansion in demand from media buying agencies. Industry revenue is projected to increase at an annualised 2.7% over the five years through 2019-20, to reach $710.0 million.

8.3. Competitors

Competitors in the development of 3D display technologies include:

- Samsung Electronics (South Korea)
- LG (South Korea)
- E Ink Holdings (Taiwan)
- AU Optronics (Taiwan)
- Atmel Corporation (US)
- Corning (U.S.)
- Plastic Logic (UK)
- EI DuPont De Nemours and Co (US)
- Hewlett Packard (US)
- Panasonic Corp. (Japan)
- Sony Corporation (Japan)
- Philips (The Netherlands)
- Cambridge Display Technology Ltd (UK)
- Seiko Epson Corporation (Japan)
- Fujitsu Limited (Japan)
- General Electric (US)
- Mitsubishi Electric Corporation (Japan)
- NEC Display Solutions (Japan)
- Sharp Corporation (Japan)
- Toshiba Corporation (Japan)
- Universal Display Corporation (US)

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9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1. Value of a CIK share prior to the Transaction

In our assessment of the value of a CIK share prior to the Transaction we have chosen to employ the following methodologies:

- NAV as our primary methodology
- QMP as a secondary methodology.

We have chosen these methodologies for the following reasons:

- The FME approach is not considered appropriate as the Company has been operating at a loss from continuing operations in the last three financial years, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure
- The QMP basis is a relevant methodology to consider as CIK’s shares are listed on the ASX. This means there is a regulated and observable market where CIK’s shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company’s shares should be liquid and the market should be fully informed as to CIK’s activities. We have considered these factors in section 10.2 of our Report
- We also consider the NAV methodology to be an appropriate valuation approach to undertake
- It should be noted that asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill in excess of their carrying amounts. This is particularly significant if the growth potential of a company is substantial
- Alternatively, if the company is making losses and earnings are deteriorating, asset based methods ignore the deteriorating financial performance of a company, which may result in the entity’s value trading below the realisable value of its assets.

9.2. Value of a CIK share following the Transaction

In our assessment of the value of a CIK share following the Transaction we have chosen to employ the following methodology:

- Sum-of-parts as our primary methodology.

The value of CIK shares following the Transaction involves the sum of the following items:

- The value of CIK prior to the Transaction
- The value of MDL
  - In our valuation of MDL we have considered the NAV and DCF methodologies. We have disregarded the FME and QMP methodologies as a result of the following:
    - The FME approach is not considered appropriate as MDL is currently loss making, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure and
    - MDL is a private unlisted company which means there is no regulated and observable market where MDL's shares can be traded
- The number of shares on issue following the Transaction will include the issue of shares to the MDL Vendor, MFL, as consideration for the Transaction
- A minority discount is applied to the net asset value to arrive at the value of a CIK share following the Transaction on a minority interest basis.

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10. Valuation of CIK prior to the Transaction

10.1. Net Asset Valuation of CIK

The value of CIK's assets on a going concern basis is reflected in our valuation below:

CIK prior to the Transaction	Note	30-Apr-15 $ 000	Adjustments $ 000	Adjusted NAV $ 000
CURRENT ASSETS				
Cash and cash equivalents		2,331	-	2,331
Trade and other receivables		75	-	75
Inventories		-	-	-
Financial assets at fair value	a	841	(285)	556
Other current assets		24	-	24
TOTAL CURRENT ASSETS		3,271	-	2,986
NON-CURRENT ASSETS				
Plant and equipment		424	-	424
TOTAL NON-CURRENT ASSETS		424	-	424
TOTAL ASSETS		3,695	-	3,410
CURRENT LIABILITIES				
Trade and other payables		347	-	347
Borrowings		-	-	-
Provisions		-	-	-
TOTAL CURRENT LIABILITIES		347	-	347
TOTAL LIABILITIES		347	-	347
NET ASSETS		**3,348**	**(285)**	**3,063**
Shares on issue (number)				53,220,787
Value per share ($)				**0.0576**

Source: CIK Management and BDO analysis

Where accounts were prepared in foreign currencies, we have translated such accounts into Australian dollars for the purpose of the consolidation as at 30 April 2015.

We have been advised that there has not been a significant change in the net assets of CIK since 30 April 2015 apart from those adjustments discussed below. The table above indicates that the net asset value of a CIK share prior to the Transaction is 5.76 cents per share.

We note the following adjustments in relation to the net assets of CIK:

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Note a)

CIK holds 50 million shares in China Media Group Corp. The market value of the shares is USD 0.0082 per share as at 4 August 2015 (source: OTCMarket.com). Exchange rate of 0.737 as at 4 August 2015 (source: rba.gov.au) has been used to derive the fair value of $556,000 for Adjusted NAV.

10.2. Quoted Market Prices for CIK Securities

To provide a comparison to the NAV of CIK in section 10.1, we have also assessed the quoted market price for a CIK share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction
- access to underlying cash flows
- control over dividend policies
- access to potential tax losses.

Whilst Dr Lee will not be obtaining 100% of CIK, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 13.

Therefore, our calculation of the quoted market price of a CIK share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a CIK share is based on the pricing prior to the announcement of the Transaction. This is because the value of a CIK share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a CIK share following the announcement when we have considered reasonableness in section 13.

Information on the Transaction was first announced to the market on 14 May 2015.

No shares were traded in CIK in the twelve months preceding the announcement on 14 May 2015.

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For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities
- Approximately 1% of a company's securities are traded on a weekly basis
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of CIK, we do not consider there to be a deep market for the Company's shares, with none of the current issued capital being traded in a twelve month period.

Our assessment is that a range of values for CIK shares based on market pricing, after disregarding post announcement pricing, is $0.20.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value ($m)	Average Control Premium (%)
2013	36	143.63	50.86
2012	48	364.43	41.32
2011	64	799.28	45.07
2010	63	794.58	40.23
2009	61	328.42	44.87
2008	39	827.80	40.83
2007	81	1045.80	22.20
2006	90	688.47	25.12
	Mean	**624.05**	**38.81**
	Median	**741.53**	**41.08**

Source: Bloomberg and BDO analysis

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In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets
- Nature and magnitude of discretionary expenses
- Perceived quality of existing management
- Nature and magnitude of business opportunities not currently being exploited
- Ability to integrate the acquiree into the acquirer's business
- Level of pre-announcement speculation of the transaction
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average control premium paid for ASX-listed companies is in the order of 30% to 40%. However, given that CIK is historically loss making and the lack of liquidity for the Company's shares, we consider an appropriate control premium to be in the range of 25% to 35%.

Quoted market price including control premium

Applying a control premium to CIK's quoted market share price results in the following quoted market price value including a premium for control:

	Low $	Midpoint $	High $
Quoted market price value	0.20	0.20	0.20
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	**0.25**	**0.26**	**0.27**

Source: BDO analysis

Therefore, our valuation of a CIK share based on the quoted market price method and including a premium for control is between $0.25 and $0.27 with a midpoint value of $0.26.

10.3 Assessment of CIK Value

The results of the valuations performed are summarised in the table below:

	Ref	Low Cents	Preferred Cents	High Cents
Net assets value	10.1	5.76	5.76	5.76
ASX market prices (including a premium for control)	10.2	25.00	26.00	27.00

Source: BDO analysis

We note that the value obtained under the NAV methodology is lower than the values obtained under the QMP methodology in our low, preferred and high scenarios. The difference between the valuations obtained under the NAV and QMP approaches can be explained by the following:

- The NAV value is lower than the QMP value range, which is not uncommon for technology companies, which often trade at a premium to its net asset value. This is because investors anticipate some potential upside or 'bluesky' prospects for the company which are factored into the share price in advance of any such value being warranted
- The QMP value reflects investors' perception of the future prospects of CIK and may have taken into account the fact that CIK has been actively progressing options to add scale to the Company
- There is not a deep market for the Company's shares with none of the Company's share capital traded in the 12 months prior to the announcement of the Transaction and less than 0.035% of the Company's share capital traded since its listing in February 2013. As a result of the lack of liquidity, unexplained share price movements and volatility in the Company's share price we have not relied on the QMP value in assessing the value of a CIK share prior to the Transaction.

For the reasons described above, we conclude that the value obtained under the NAV approach is more reflective of the value of a CIK share prior to the Transaction. Based upon that reasoning we consider the value of a CIK share to be 5.76 cents per share as at 13 August 2015.

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11. Valuation of CIK following the Transaction

As discussed in section 9.2, in determining the value of a CIK share following the Transaction, the sum-of-parts methodology has been used which includes the following:

- The value of CIK prior to the Transaction, as determined in section 10.3
- The value of MDL after considering the appropriate valuation methodologies approaches
- The number of shares on issue following the completion of the Transaction which will include the issue of shares to MFL as consideration for the Transaction.

11.1 Valuation of MDL

11.1.1 Discounted cash flow valuation of MDL

Management of MDL has provided quarterly cash flow forecasts for a four year period from 1 January 2015 to 31 December 2018. RG111 stipulates that an expert should not include prospective financial information (including forecasts and projections) or any other statements or assumptions about future matters in its report unless there are reasonable grounds for the forward looking information.

Regulatory Guide 170 (‘**RG170**’) gives detailed guidance on what is considered a reasonable basis for stating prospective financial information. While RG 170 is expressed to apply to fundraising documents under Chapters 6 and 7 of the Act, it provides useful guidance for inclusion of prospective financial information in expert reports. RG170 states that indicative factors that may amount to reasonable grounds for stating prospective financial information include when:

- The information relates to options on forward sales contracts or leases that lock in future expenses and revenue
- The information is underpinned by independent industry experts’ reports and/or investigating accountants’ reports
- The information includes reasonable short term estimates (not exceeding two years).

BDO has reviewed the forecast provided by MDL and we do not consider that we have reasonable grounds to include the prospective financial information. Given MDL has historically been loss making, has a limited financial history on which to assess the reasonableness of assumptions in the forecast and has a lack of forward sales contracts that provide evidence of secured future revenue we are unable to value MDL using the DCF approach.

We note that the lack of sales contracts is due to the nature of the industry and the continuing process of commercialising the technologies.

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11.1.2 Net asset valuation of MDL (including MDSZ)

The value of MDL's assets on a going concern basis is reflected in our valuation below:

Net Asset Value	Note	MDL (Consolidated) Unaudited at 30-Jun-15 $ 000	Adjustments 30-Jun-15 $ 000	MDL (Consolidated) Adjusted NAV 30-Jun-15 $ 000
CURRENT ASSETS				
Cash and cash equivalents		1,112		1,112
Trade and other receivables		725		725
Inventories		1,093		1,093
Financial assets	a	2,808	(2,808)	-
TOTAL CURRENT ASSETS		5,738		2,930
NON-CURRENT ASSETS				
Property, plant and equipment		1,601		1,601
Development projects		1,273		1,273
Intangible assets		1,926		1,926
TOTAL NON-CURRENT ASSETS		4,800		4,800
TOTAL ASSETS		10,538		7,730
CURRENT LIABILITIES				
Trade and other payables		236		236
Deposit received		148		148
Amount due to the director	a	4,647	(2,808)	1,839
TOTAL CURRENT LIABILITIES		5,031		2,223
NET ASSETS		**5,507**	**-**	**5,507**

Source: MDL Management

We have not undertaken a review of MDL's management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We have been advised that there has not been a significant change in the net assets of MDL since 30 June 2015 apart from those adjustments discussed below. The table above indicates that the net asset value of MDL prior to the Transaction is $5.5 million.

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We note the following adjustments in relation to the net assets of CIK:

Note a)

By agreement dated 14 May 2015, MDL agrees to dispose of 10,370,000 shares in CIK to MFL for book value in HKD with payment made to MDL by way of Dr Lee. The shares are being carried in the books of MDL at HKD16.66 million. We have included an adjustment to remove the value of the shares and reduce the amounts outstanding to the director, Dr Lee.

11.1.3 Assessment of the value of MDL

After considering the above valuation methodologies, we have made the following conclusions:

- The DCF approach is often the most appropriate methodology to use in valuing technology companies such as MDL. However, we are bound by RG111 and RG170 in relation to the inclusion of prospective financial information and therefore unable to value MDL using this methodology as we do not have a reasonable basis to include the forecast financial information provided by MDL Management
- We note that MDL is a technology company with a limited trading history. The core value of MDL are the assets on its balance sheet and in the technology held and its prospects to utilise this technology to generate revenue streams in the future. The intangible values included in the balance sheet of MDL have been subject to impairment testing in the audited accounts as at 31 March 2014 and management have indicated that costs have continued to be accumulated on a consistent basis. These prospects are not factored into the NAV methodology and therefore we consider that the NAV methodology is a minimum value for MDL and is an appropriate methodology to use in the absence of forecasts that satisfy the requirements of RG 170
- CIK has an obligation to pay a deferred performance fee under the SSPA calculated as five (5) times the average annualized consolidated profits before tax of MDL for the period of two years from the completion date, less the Initial Consideration. However, we are bound by RG111 and RG170 in relation to the inclusion of prospective financial information and therefore unable to assess or quantify this future liability as we do not have a reasonable basis to include the forecast financial information provided by MDL Management. We have discussed our views on the implications of these obligations in our analysis of reasonableness in section 13 of this Report.

In complying with RG111 we conclude that the value of MDL is at least $5.5 million. As such, we have included this value of MDL in our sum-of-parts valuation of CIK following the Transaction.

11.2 Discount for minority interest

The net asset value of a CIK share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Transaction is completed Shareholders may become minority interest shareholders in CIK as Dr Lee will hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a CIK share following the Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 10.2, we consider an appropriate control premium for CIK to be in the range of 25% to 35%, giving rise to a minority interest discount in the range of 20% to 26%.

11.3 Number of shares on issue

Our adjustment to the number of shares on issue following the completion of the Transaction is set out in the table below.

Shares on issue following the Transaction	
Number of shares on issue prior to the Transaction	**53,220,787**
Shares to be issued on completion of the Transaction	24,500,368
Number of shares on issue following the Transaction	**77,721,155**

11.4 Valuation of CIK following the Transaction

The value of a CIK share following the Transaction is set out below:

Value of CIK following the Transaction	Note	Low $ million	Preferred $ million	High $ million
Net assets of CIK prior to the Transaction	10.1	3.06	3.06	3.06
Value of MDL shares	11.1	5.51	5.51	5.51
Value of CIK following the Transaction		**8.57**	**8.57**	**8.57**
Discount for minority interest	11.2	26%	23%	20%
Value of CIK following the Transaction (minority interest basis)		**6.34**	**6.60**	**6.86**
Number of shares on issue	11.3	77,721,155	77,721,155	77,721,155
Value per share ($)		**0.0816**	**0.0849**	**0.0882**

The table above shows our assessed value of a CIK share is between 8.16 cents and 8.82 cents, with a preferred value of 8.49 cents.

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12. Is the Transaction fair?

We have compared the value of a CIK share prior to the Transaction on a controlling interest basis with the value of a CIK share following the Transaction on a minority interest basis as detailed below:

	Ref	Low cents	Preferred cents	High cents
Value of a CIK share prior to the Transaction on a controlling interest basis	10.3	5.76	5.76	5.76
Value of a CIK share following the Transaction on a minority interest basis	11.4	8.16	8.49	8.82

We note from the table above that the value of a share in CIK prior to the Transaction on a controlling interest basis is less than the value of a share in CIK following the Transaction. Therefore, we consider that the Transaction is fair to Shareholders.

In assessing fairness we have been bound by the guidelines of RG111 and RG170.

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13. Is the Transaction reasonable?

13.1. Advantages of approving the Transaction

13.1.0 The Transaction is fair

As outlined in section 12, the Transaction is fair for the Shareholders.

13.1.1 Creation of a complementary business model

If the Transaction is completed MDL brings the potential to enhance CIK's ability to compete in the fast changing technology of 3D Autostereoscopic products through MDL's own technological developments.

13.1.2 Integration of the businesses may provide synergies

CIK intends to integrate both management and technical development resources, which may offer opportunities for improvements to intellectual property, sales and marketing and administrative functions, thereby reducing overhead costs.

Whilst the magnitude of synergies is not determinable at this point, it is anticipated that, given the complementary nature of MDL's 3D Autostereoscopic products and related services to CIK, there may be significant synergy benefits in combining the two businesses. In particular, the ability to develop customer specific technological requirements through MDL's technical and development capabilities. MDL would be able to support sales efforts into specific markets with industry specific requirements i.e. the indoor advertising display markets.

13.1.3 Creation of a combined group with a more diversified business

If the Transaction is completed CIK will create a group that has a more diverse set of operations. The Company will continue to develop the digital advertising platform in glasses-free 3D (autostereoscopic) and distribution of the digital display and 3D software whilst incorporating MDL's operations as detailed in section 6.2.

Therefore, the Transaction allows the Company to diversify its exposure to this business risk.

13.1.4 Opportunity for further growth of the combined businesses

If the Transaction is completed, CIK will have the opportunity to capitalise on the growth area of not only the 3D revelation of the display advertising industry but also the opportunity to exploit these technologies in the consumer marketplace.

13.1.5 The Transaction will increase the market capitalisation of the Company

If the Transaction is completed the Company will increase its market capitalisation. As a larger company, there is a potential for greater broker coverage and presence in the Australian market. This may increase the Company's ability to secure funding going forward.

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13.2. Disadvantages of approving the Transaction

13.2.1 Dilution of existing Shareholders' interests

If the Transaction is completed then existing Shareholders' interests will be diluted. On an undiluted basis, Shareholders control 64.85% of CIK and these Shareholders will be diluted to 44.41% of CIK.

13.2.2 Deferred performance fee

If the Transaction is completed, CIK has an obligation to pay a deferred performance fee under the SSPA calculated as five (5) times the average annualized consolidated profits before tax of MDL for the period of two years from the completion date, less the Initial Consideration.

Based upon an Initial Consideration of HKD28 million the hurdle for the performance bonus is HKD5.6 million earnings before tax.

If the Transaction is completed, and MDL achieves significant growth CIK would be required to raise additional debt or most likely capital to meet this obligation.

The multiple of five (5) times equates to a PE multiple of 7.14 assuming a tax rate of 30%.

PE multiples for companies identified are set out in appendix 3 as competitors average 20.8.

The hurdle for the performance bonus calculates to Earnings per Share ('**EPS**') as follows:

	Deferred performance fee hurdle HKD million	Deferred performance fee hurdle $ million	Issued shares following completion of Transaction	Earnings per share Cents
Issued shares as at the date of this Report	5.6	0.98	77,721,155	1.26

Based upon an EPS of 1.26 cents per share and the PE multiples discussed above a successful capital raise to meet the performance bonus would not, in our opinion, dilute Shareholders.

There is a risk that a capital raise would not be successful.

13.2.3 Payment of liabilities to Dr Lee

If the Transaction is completed, MDL has obligations to Dr Lee totalling HKD10.9 million which may decrease the cash available in CIK.

13.2.4 Potential lower liquidity of shares

If the Transaction is completed, trading in CIK shares may be negatively affected by the presence of Dr Lee and associates holding a potential 55.59% ownership interest. The existing shares will therefore have a materially lower free float on a proportional basis which may reduce liquidity. We note that if the Transaction is completed, given the potential growth of the Company, absolute liquidity may increase. However, as noted in section 10.2, the Company's shares already demonstrate an extremely low level of liquidity.

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13.3. Other considerations

13.3.1 Alternative Proposals

We are unaware of any alternative proposal that might offer the Shareholders of CIK a premium over the value ascribed to, resulting from the Transaction.

13.3.2 Value evident from comparable market transactions

Given the constraints of RG111 and RG170 in relation to prospective financial information, we have been unable to rely on management's forecast cash flows in assessing the value of MDL. As a result, we have only incorporated the carrying value of the tangible and intangible assets into our assessment of the value of CIK following the Transaction. Therefore the full value of CIK has not have been captured in our fairness assessment in section 12.

Despite us not being able to reliably value MDL, we still consider there to be value in MDL.

13.3.3 Practical Level of Control

If the Transaction is completed, Dr Lee will hold a maximum interest of approximately 55.59% in CIK.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour at the meeting to approve a matter and a special resolution required 75% of shares on issue to be voted in favour at the meeting to approve a matter. If the Transaction is completed then Dr Lee will continue to be unable to pass special resolutions.

CIK's Board currently comprises two directors. If the Transaction is completed, we understand that Dr Lee will seek to appoint another director to the CIK Board.

13.3.4 Change in risk profile of investment

If the Transaction is completed the Company will go from being predominantly a user of the 3D autostereoscopic technologies through the advertising platform to a developer, a producer and distributor of these technologies. The market in which the Company is looking to compete is enormous and the competitors in this marketplace include some of the world's largest corporations. This shift in the Company's focus may not suit the risk profile and appetite of Shareholders.

13.3.5 Consequences of not Approving the Transaction

Potential decline in share price

Given the above analysis concerning the current value of shares in CIK it is possible that if the Transaction is not completed then CIK's share price may decline to reflect its asset backing or the net realisable value thereof.

14. Conclusion

The directors of CIK engaged BDO Corporate (SA) Pty Ltd to prepare an independent expert's report to consider:

- the proposed acquisition of MDL through the issue of capital of CIK to MFL, associated with Dr Lee whose interest in Shares will move from a point that is above 20% to below 90%
- the proposed acquisition of MDL through the issue of greater than 15% of the issued capital of CIK on issue at the commencement of the 12 month period ending at the proposed issue date
- the proposed acqusistion of MDL being a substanitial asset of CIK from a related party, MFL associated with Dr Lee
- the proposed acquisition of MDL through the issue of equity securities of CIK to a related party, MFL associated with Dr Lee
- the proposed transfer of 10,370,000 CIK shares held by MDL and 8,336,266 CIK shares held by Dr Lee to MFL.

We have considered the terms of the Transaction as outlined in the body of this Report and have concluded that, in the absence of a superior offer, the Transaction **is fair and reasonable to Shareholders.**

In our opinion, the Transaction is fair because the value of a CIK share prior to the Transaction on a controlling interest basis is less than the value of a CIK share following the Transaction on a minority interest basis.

We consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will provide the Company with the opportunity to enter a growth industry and to potentially capitalise on the development of MDL's intellectual property.

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15. Sources of information

This Report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this Report
- Share Sale and Purchase Agreement between CIK and MDL
- Audited financial statements of CIK for the years ended 31 December 2012, 31 December 2013 and 31 December 2014
- Audited financial statements of MDL for the years ended 31 March 2012, 31 March 2013 and 31 March 2014
- Audited financial statements of MDSZ for the years ended 31 March 2012, 31 March 2013 and 31 March 2014
- Unaudited Management Accounts of CIK for the four months ended 30 April 2015
- Unaudited Management Accounts of MDL for the twelve months ended 30 June 2015
- Share registry information for CIK
- Information in the public domain
- Discussions with Directors and Management of CIK and MDL.

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16. Independence

BDO Corporate (SA) Pty Ltd is entitled to receive a fee of $20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate (SA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Corporate (SA) Pty Ltd has been indemnified by CIK in respect of any claim arising from BDO Corporate (SA) Pty Ltd's reliance on information provided by the CIK, including the non provision of material information, in relation to the preparation of this Report.

Prior to accepting this engagement BDO Corporate (SA) Pty Ltd has considered its independence with respect to MDL and CIK and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate (SA) Pty Ltd's opinion it is independent of MDL and CIK and their respective associates.

Neither the two signatories to this Report nor BDO Corporate (SA) Pty Ltd, have had within the past two years any professional relationship with CIK, or their associates, other than in connection with the preparation of this Report.

A draft of this Report was provided to CIK and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

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17. Qualifications

BDO Corporate (SA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate (SA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this Report were David Fechner and Geoff Edwards of BDO Corporate (SA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

David Fechner is a member of the Institute of Chartered Accountants Australia and New Zealand. David has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

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18. Disclaimers and consents

This Report has been prepared at the request of CIK for inclusion in the Notice of Meeting which will be sent to all CIK Shareholders. The directors of CIK engaged BDO Corporate (SA) Pty Ltd to prepare an independent expert's report to consider:

- the proposed acquisition of MDL through the issue of greater than 20% of the issued capital of CIK
- the proposed acquisition of MDL through the issue of shares of CIK to MFL, associated with Dr Lee whose interest in Shares will move from a point that is above 20% to below 90%
- the proposed acquisition of MDL through the issue of greater than 15% of the issued capital of CIK on issue at the commencement of the 12 month period ending at the proposed issue date
- The proposed acquisition of MDL through the issue of equity securities of CIK to a related party, Dr Lee and his associates.

BDO Corporate (SA) Pty Ltd hereby consents to this Report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate (SA) Pty Ltd.

BDO Corporate (SA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this Report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate (SA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to MDL. BDO Corporate (SA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate (SA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this Report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate (SA) Pty Ltd by MDL and its advisors are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate (SA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate (SA) Pty Ltd disclaims any possible liability in respect of these forecasts.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this Report does not constitute legal or taxation advice to the Shareholders of CIK, or any other party.

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The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate (SA) Pty Ltd has no obligation to update this Report for events occurring subsequent to the date of this Report.

Yours faithfully

BDO CORPORATE (SA) PTY LTD

David Fechner
Director

Appendix 1 – Glossary of Terms

Reference	Definition
Act/The Act	The Corporations Act 2001 (Cth)
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate (SA) Pty Ltd
BVI	British Virgin Islands
CAGR	Compound annual growth rate
Company/The Company	China Integrated Media Corporation Limited
CIK	China Integrated Media Corporation Limited
DCF	Discounted Future Cash Flows
Dr Lee	Dr Herbert Ying Chiu Lee
Dr Lee Shares	The 8,336,266 shares in CIK owned by Dr Herbert Ying Chiu Lee, the beneficial owner of all the interests in the Vendor and a major shareholder in the Purchaser
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per Share
FME	Future Maintainable Earnings
FSG	Financial Services Guide
LR x.x	ASX Listing Rule x.x
MDL	Marvel Digital Limited
MDL Shares	The 10,370,000 shares in CIK owned by the Vendor
MDSZ	Marvel Digital Shenzhen Limited
MFL	Marvel Finance Limited
NAV	Net Asset Value

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Reference	Definition
Our Report	This Independent Expert's Report prepared by BDO
PE multiples	Price/Earnings multiples
Purchaser	China Integrated Media Corporation Limited
QMP	Quoted market price
RBA	Reserve Bank of Australia
RG 74	ASIC regulatory guide 74 Acquisitions Approved by Members (December 2011)
RG 111	ASIC regulatory guide 111 Content of expert reports (March 2011)
RG 112	ASIC regulatory guide 112 Independence of experts (March 2011)
RG 170	ASIC regulatory guide 170 Prospective Financial Information (April 2011)
Shareholders	Non-associated shareholders of CIK
Shares	Ordinary shares in CIK
SSPA	Share Sale and Purchase Agreement dated 14 May 2015 amongst China Integrated Media Corporation Limited, Marvel Finance Limited and Marvel Digital Limited for the Transaction therein
Transaction/The Transaction	Acquisition of 100% of the shares in Marvel Digital Limited and its subsidiaries, Visumotion International Limited and Marvel Digital Shenzhen Limited from Marvel Finance Limited by issuing shares in China Integrated Media Corporation Limited.
Transaction Shares	The initial consideration paid by the issuance of CIK shares at a price of AUD20 cents per share for the 100% equity interests in MDL which shall be the consolidated net asset value of the MDL and shall not be less than HKD28,000,000 at the completion date
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Vendor/The Vendor	Marvel Finance Limited
VIL	Visumotion International Limited
VWAP	Volume Weighted Average Price
We, us or ours	BDO Corporate (SA) Pty Ltd
$	Australian dollars

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Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

- ***Net asset value ('NAV')***

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

- ***Quoted Market Price Basis ('QMP')***

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

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- ***Capitalisation of future maintainable earnings ('FME')***

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

- ***Discounted future cash flows ('DCF')***

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

- ***Market Based Assessment***

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 – Competitor Key Financials

Company	Code	Market Cap US$ Billions	PE ttm
Samsung Electronics Co. Ltd	005930.KS	183.96	9.15
AU Optronics	AUO	4.01	5.71
Corning Inc (GLW)	GLW	24.23	10.59
EI DuPont De Nemours and Co	DD	53.80	16.99
Hewlett Packard	HPQ	55.11	12.17
Panasonic Corp	PCRFY	30.97	21.00
Koninklijke Philips NV	PHG	23.96	58.60
Sumitomo Chemical	SOMMY	9.41	21.98
Seiko Epson Corporation	SEKEY	6.54	7.08
Fujitsu Limited	FJTSY	11.55	10.04
Toshiba Corporation	TOSBF	13.42	19.45
Universal Display Corporation	OLED	2.24	57.29

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