

SINO SECURITIES INTERNATIONAL LIMITED
(ABN 99 006 620 739)
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2001

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DIRECTORS' REPORT

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

The directors of Sino Securities International Ltd ("the Parent Entity") present their report together with the financial report of the Parent Entity and its controlled entities (together "the Consolidated Entity") for the financial year ended 30 June 2001.

DIRECTORS

The names and details of the Parent Entity's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. Man Ban Lee, SBS, MBE, JP, FCPA, FHKSA, FCIS (*Non-Executive Chairman*)

Mr. Lee is a Certified Public Accountant who has been in public practice in Hong Kong for over 40 years. He is also an industrialist with considerable management experience in electronics and electrical engineering. Mr. Lee was appointed as chairman of the Parent Entity on 7 September 2001.

Mr. Richard Li, B Bus. (*Managing Director*)

Mr. Li has over 20 years experience in investment research, equity funds management, investment advisory services and stockbroking with major Australian institutions. He has a Bachelor of Business Degree in accounting and is a member of the Australian Institute of Company Directors. Mr. Li is also an Associate Fellow of the Australian Institute of Management.

Mr. Ian A. Johnston, B.Bus., AIBF (Snr)

Mr. Johnston joined the Board on 7 September 2001. He holds a Bachelor of Business (Banking & Finance) degree from Monash University. Mr. Johnston has over 18 years experience in banking as an analyst, administrator and relationship manager with both local and international groups. He is General Manager, Operations of the Consolidated Entity, with responsibility for the Consolidated Entity's investment banking activities.

Mr. Bruce L. Mathieson

Mr. Mathieson is a significant investor, owner/operator in the Australian hotel industry, with interests in gaming, accommodation hotels and pubs. Mr. Mathieson acted as chairman of the Parent Entity since 1990 until his resignation on 7 September 2001 due to his retirement from active business.

In accordance with the Parent Entity's Constitution, Mr. Ian A. Johnston retires from the Board of Directors and, being eligible, offers himself for re-election.

DIVIDENDS

The directors do not recommend the declaration of a final dividend for the year ended 30 June 2001.

CORPORATE INFORMATION

The Parent Entity is a company limited by shares and is incorporated and domiciled in Australia. The Parent Entity has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2001.

Nature of operations and principal activities

The principal activities of the Consolidated Entity during the financial year ended 30 June 2001 were the provision of a range of expert investment and related services with a strong focus on the Internet media sector. There were no significant changes in the nature of the Consolidated Entity's activities during the year.

Employees

The Consolidated Entity employed 35 employees as at 30 June 2001 (2000: 28 employees)

DIRECTORS' REPORT (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

CONSOLIDATED ENTITY RESULTS

The consolidated operating loss of the Consolidated Entity after providing for income tax and eliminating outside equity interests for the financial year ended 30 June 2001 amounted to \$22,862,572.

REVIEW OF OPERATIONS

During the year under review, the Consolidated Entity continued to develop its Internet investment banking and Internet media businesses. For the year ended 30 June 2001, total revenue fell 63 per cent to \$4.679 million from \$12.631 million of the previous corresponding year. Consolidated net loss attributable to shareholders was \$22.863 million, compared with a net profit of \$6.369 million of the previous corresponding year.

The financial results of the Consolidated Entity during the year under review were significantly affected by the following factors:

- the inability of its partner in China to provide the agreed funding to the Dalian resort development project, which led to a full provision of \$27.16 million against the cost of the project.
- the significant cost incurred in the development of the media business of GoConnect Ltd ("GCN") and the consolidation of the loss of GCN.
- the extremely negative sentiment in the investment market against new equity capital raisings and substantial decline in the volume and value of transactions in all major equity markets including that of Australia. Accordingly, the net brokerage and underwriting income of the Consolidated Entity's licensed securities dealer, Sino Investment Services Pty Ltd, declined substantially.
- development cost associated with the new wholly owned subsidiary, Sino Finance Portal Pty Ltd, which owns our new finance portal www.myprofit.com.au.

Excluding the provision against the Dalian project and the loss consolidated due to GCN's financial results, the Consolidated Entity's other investment banking activities recorded a loss of \$260,723.

The Consolidated Entity has an investment of \$3 million for a 20 per cent interest in Multelink Australia Ltd ("Multelink"). During the year under review, Multelink's telephony business grew substantially. Subscriber lines have grown at a compound rate of 21 per cent per month since July 2000 without sacrificing margins on revenue. By mid-September 2001, Multelink had over 13,000 subscriber lines connected to its service, over 80 per cent of which were for business use. Management of Multelink reports that the business has become cashflow positive since August 2001 and expects the healthy rate of growth in subscriber lines and margins to continue.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the directors' opinion, there were no significant changes in the Consolidated Entity's state of affairs that occurred during the financial year not otherwise disclosed in this report or the consolidated accounts.

FUTURE DEVELOPMENTS

With the completion of development of myprofit.com.au, the launch of myprofit.tv, and the continuing commercialisation of the GoTrek technology in the growth of the GCN Internet media business, the Consolidated Entity's future growth in earnings and asset value are firmly based on the Internet environment. Management is confident that, like all industries that will rise and fall in cycles, the Internet world's current cyclical decline, which started since April 2000, must be considered to be near its end. Management is cautiously optimistic that, in the coming months, it will be able to take advantage of the next Internet sector and advertising industry upturn with all its tools and technology developed, commercialised, and ready to take our investment banking and media businesses forward. The directors are of the opinion that the disclosure of any further information on likely developments would be prejudicial to the interests of the Parent Entity and the Consolidated Entity.

DIRECTORS' REPORT (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

AFTER BALANCE DATE EVENTS

Subject to receiving GoConnect Ltd's shareholder approval, GoConnect Ltd ("GCN"), a controlled entity, has entered into an agreement with Simon Richards Group Pty Ltd ("SRG") for a selective buyback of all shares held by SRG in GCN ("the SRG shares") for a total consideration of \$1. Thereafter, the SRG shares (22.5 million) will be cancelled. These shares were provided by SRG as security against a prepayment of \$5,625,000 by the GCN group to SRG for the provision of advertising and marketing services. Under the service agreement with SRG the rights of the GCN group to recoupment of the prepayment are limited to the value of the SRG shares. The service agreement with SRG expired on 30 June 2001. Consequently the full amount of the prepayment of \$5,625,000 has been written off during the reporting period. GCN will convene a shareholders' meeting as soon as practicable to allow shareholders to consider the proposed buyback. The proposed share buyback will require approval by way of Special Resolution by 75% of shareholders attending the meeting. The effect of the buyback and cancellation of the SRG shares will be to increase the remaining shareholders equity share in GCN by approximately 7.5%.

With effect from 4 October 2001, the free ISP service provided by the GCN group will be discontinued thereby eliminating the operating cost for this service.

Other than the further rationalisation of the GCN ISP operation implemented since 20 September 2001 with the closure of the free ISP earmarked for 4 October 2001 and expansion of the pay ISP, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Consolidated Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

SHARE OPTIONS

During the financial year, 180,000 options were exercised to acquire 180,000 fully paid ordinary shares in the Parent Entity at an exercise price of \$0.75 per option.

MEETINGS OF DIRECTORS

During the financial year, 8 meetings of directors were held. Attendances were:

	<i>Number of meetings eligible to attend</i>	<i>Number of meetings attended</i>
Mr. M.B. Lee	8	8
Mr. R. Li	8	8
Mr. B.L. Mathieson	8	8

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2001, directors' interests in shares in the Parent Entity were as follows:

	<i>(Number of Ordinary Shares)</i>		
	<i>Fully Paid</i>	<i>Paid to 1 cent</i>	<i>Paid to 0.1 cent</i>
Mr. M.B. Lee	1,000,500	–	–
Mr. R. Li	–	2,800,000	500,000
Mr. B.L. Mathieson	2,167,400	–	–

DEED OF INDEMNITY

No indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Parent Entity.

DIRECTORS' REPORT (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

DIRECTORS AND EXECUTIVE OFFICERS EMOLUMENTS

Remuneration policy

The Board reviews the succession planning for Executive Management and sets the remuneration packages applicable to the Managing Director and Executive Officers, including incentive performance packages, superannuation benefits and fringe benefit policies. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity. To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the Consolidated Entity's financial and operational performance.

The remuneration of Executive Management of GoConnect Ltd, a controlled entity, and its controlled entities is reviewed by the Board of GoConnect Ltd.

Details of the nature and amount of each element of the emolument of each director of the Parent Entity and each of the five executive officers of the Parent Entity and the Consolidated Entity receiving the highest emolument for the financial year are as follows:

Emoluments of directors of the Parent Entity

	Base Salary/Fee ^(a)	Superannuation ^(b)	Others ^(c)	Options granted ^(d)
	(\$)	(\$)	(\$)	(Number)
Mr. R. Li	177,917	14,502	27,776	500,000

No directors' fees or any form of remuneration were paid or payable to Non-Executive Directors of the Parent Entity during the year.

Mr. R. Li is the deputy chairman of GoConnect Ltd.

Emoluments of the five most highly paid executive officers of the Parent Entity and the Consolidated Entity

	Base Salary	Superannuation	Others	Options granted ^(d)
	(\$)	(\$)	(\$)	(Number)
Mr. D. Tam	243,750	19,500	1,554	1,500,000
Dr. W. Wen	137,412	10,993	–	375,000
Mr. P. Barta	122,365	9,789	–	150,000
Mr. K. Smith	101,457	8,117	6,500	150,000
Mr. B. McIntosh	101,886	8,151	–	112,500

In accordance with section 300A(1)(c) of the Corporations Act 2001 and ASIC Practice Note 68, Mr. R. Li, the Managing Director of the Parent Entity, was identified to be the only executive officer of the Parent Entity, who was involved in, or took part in the management of the affairs of the Parent Entity during the financial year.

Notes

(a) Includes \$35,000 director's base fee paid or payable by GoConnect Ltd.

(b) Includes \$2,800 paid or payable by GoConnect Ltd.

(c) Includes \$1,554 paid or payable by GoConnect Ltd.

(d) Options were granted by GoConnect Ltd to acquire shares in GoConnect Ltd.

DIRECTORS' REPORT (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

PROCEEDINGS ON BEHALF OF THE PARENT ENTITY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Parent Entity or to intervene in any proceedings to which the Parent Entity is a party, for the purpose of taking responsibility on behalf of the Parent Entity for all or any part of those proceedings.

ENVIRONMENTAL DISCLOSURE

The operations of the Consolidated Entity are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Parent Entity support and have adhered to the principles of corporate governance. The Parent Entity's corporate governance statement is contained in the Corporate Governance Statement section on pages 33 and 34 of this annual financial report.

Signed in accordance with a resolution of the Board of Directors.

RICHARD LI
MANAGING DIRECTOR

Dated at Melbourne this 28th day of September 2001

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	Note	Consolidated Entity		Parent Entity	
		2001 \$	2000 \$	2001 \$	2000 \$
Revenues from ordinary activities	2	4,679,326	12,630,732	150,001	2,190,910
Sharebroking and underwriting expenses		(493,079)	(205,974)	–	–
Virtual Internet Service network operating expense		(4,042,860)	(216,171)	–	–
Marketing expense		(580,838)	(3,534,483)	–	–
Employee benefits expense		(2,898,771)	(1,427,428)	–	–
Depreciation and amortisation expenses		(362,855)	(88,339)	–	–
Research and development expense		(284,172)	(114,018)	–	–
Write off of prepayment	3	(5,625,000)	–	–	–
Other expenses from ordinary activities	3	(19,656,267)	(2,050,186)	(35,607)	(132,306)
Profit (Loss) from ordinary activities before income tax expense		(29,264,516)	4,994,133	114,394	2,058,604
Income tax expense relating to ordinary activities	4	–	–	–	–
Net profit (loss)		(29,264,516)	4,994,133	114,394	2,058,604
Net loss attributable to outside equity interest		6,401,944	1,374,950	–	–
Net profit (loss) attributable to members of the Parent Entity	14(d)	(22,862,572)	6,369,083	114,394	2,058,604
Net increase (decrease) in asset revaluation reserve	14(b)	(8,982,348)	–	–	–
Total revenues, expenses and valuation adjustments attributable to members of the Parent Entity and recognised directly in equity		(8,982,348)	–	–	–
Total changes in equity other than those resulting from transactions with owners as owners		(31,844,920)	6,369,083	114,394	2,058,604
<i>Basic earnings (loss) per share</i>	21	<i>(160.0) cents</i>	<i>45.1 cents</i>		
<i>Diluted earnings (loss) per share</i>	21	<i>(159.2) cents</i>	<i>44.5 cents</i>		

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	Note	Consolidated Entity		Parent Entity	
		2001	2000	2001	2000
		\$	\$	\$	\$
Current assets					
Cash assets	16(b)	4,055,788	2,208,347	3,037	14,846
Receivables	6	372,777	58,819	340	–
Other financial assets	7	1,804	74,382	–	–
Other	9	641,947	7,661,322	47,392	822,819
Total current assets		5,072,316	10,002,870	50,769	837,665
Non-current assets					
Other financial investments	7	3,000,000	30,161,576	7,271,541	6,238,942
Property, plant and equipment	8	1,381,713	1,107,900	–	–
Total non-current assets		4,381,713	31,269,476	7,271,541	6,238,942
Total assets		9,454,029	41,272,346	7,322,310	7,076,607
Current liabilities					
Payables	10	629,727	587,485	–	–
Provisions	11	304,532	217,594	–	–
Other	12	–	–	37,672	41,363
Total current liabilities		934,259	805,079	37,672	41,363
Non-current liabilities					
Provisions	11	26,608	16,658	–	–
Total non-current liabilities		26,608	16,658	–	–
Total liabilities		960,867	821,737	37,672	41,363
Net assets		8,493,162	40,450,609	7,284,638	7,035,244
Equity					
Parent Entity interest					
– Contributed equity	13	10,828,753	10,693,753	10,828,753	10,693,753
– Reserves	14	15,432,137	21,013,956	1,000	1,000
– Retained profits (Accumulated losses)	14	(19,834,175)	6,428,926	(3,545,115)	(3,659,509)
Total Parent Entity interest in equity		6,426,715	38,136,635	7,284,638	7,035,244
Total outside equity interest	15	2,066,447	2,313,974	–	–
Total equity		8,493,162	40,450,609	7,284,638	7,035,244

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		348,368	457,600	–	–
Cash payments in the course of operations		(8,598,391)	(12,531,817)	(10,227)	(126,090)
Amount due from clients		–	(2,801)	–	–
Net Goods and Services Tax paid		(30,628)	–	–	–
GST Input Tax Credit		–	–	1,923	–
Interest received		286,943	132,096	1	–
Dividends received		6	9	–	2,190,910
Interest and costs of finance paid		(10,691)	(15,707)	(6)	(1,216)
Net cash provided by (used in) operating activities	<i>16(a)</i>	(8,004,393)	(11,960,620)	(8,309)	2,063,604
Cash flows from investing activities					
Payment for share investments		(79,654)	–	–	–
Proceeds from disposal of share investments		683,382	4,868	–	–
Payment for property, plant and equipment		(753,244)	(934,213)	–	–
Proceeds from disposal of property, plant and equipment		15,000	–	–	–
Proceeds from disposal of investment in controlled entities		–	–	150,000	–
Payment for investment in controlled entities		–	–	(1,500)	(1,220,877)
Loan to controlled entities		–	–	(212,000)	(815,903)
Repayment of loan to a controlled entity		–	–	–	(1,277,160)
Net cash provided by (used in) investing activities		(134,516)	(929,345)	(63,500)	(3,313,940)
Cash flows from financing activities					
Proceeds from issue of shares		10,569,121	14,983,100	60,000	1,265,000
Transaction costs from issue of shares		(582,771)	–	–	–
Net cash provided by (used in) financing activities		9,986,350	14,983,100	60,000	1,265,000
Net increase (decrease) in cash held		1,847,441	2,093,135	(11,809)	14,664
Add opening cash brought forward		2,208,347	115,212	14,846	182
Closing cash carried forward	<i>16(b)</i>	4,055,788	2,208,347	3,037	14,846

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Sino Securities International Ltd (“the Parent Entity”) and all entities which the Parent Entity controlled from time to time during the year and at balance date. A controlled entity is any entity controlled by the Parent Entity. Control exists where the Parent Entity has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates to achieve the objectives of the Consolidated Entity. A list of controlled entities is contained in *Note 20* to the accounts. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as separate item in the consolidated accounts.

(c) Income tax

The Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense is calculated on operating profit adjusted for permanent differences. Timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Future income tax benefits relating to timing differences are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Investments

Shares in listed companies are valued at the lower of cost or market value at each balance date. The gains or losses whether realised or unrealised, are included in operating profit before income tax. Non-current investments are carried at cost or at directors’ valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the investments’ current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts. Investments in controlled entities are valued in the accounts of Sino Securities International Ltd at cost less amounts written off for permanent diminution in the value of the investments.

(e) Revenue

Revenue from rendering of a service is recognised upon the delivery of the service to clients. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Dividend revenue from controlled entities is accounted for when dividends are proposed by the controlled entities.

(f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Interest is charged as an expense as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

Depreciation and amortisation

Property, plant and equipment are carried at cost less where applicable, any accumulated depreciation or amortisation. Depreciation is provided on all property, plant and equipment from the time the assets are held ready for use at rates calculated to allocate their cost against revenue over their estimated economic lives. The effective life and methods used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Effective life</i>	<i>Depreciation method</i>
Motor Vehicle	6 ² / ₃	Diminishing value
Office and computer equipment	2 ¹ / ₂ – 8 ¹ / ₃	Straight line
Furniture and fittings	¹ / ₂ – 7 ² / ₃	Straight line
Staff Amenities	7 ² / ₃	Straight line

Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the financial year.

(h) Employee entitlements

The provision for employee entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs. The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability. Contributions are made by the Consolidated Entity to complying superannuation funds and are charged as expenses when incurred.

(i) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis. Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(k) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down.

(l) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(m) Comparative figures

Where necessary, comparative information has been reclassified to achieve consistency with current financial year amounts and other disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		\$	\$	\$	\$
NOTE 2 – REVENUES FROM ORDINARY ACTIVITIES					
(a) Revenues from operating activities					
Revenue from services		282,995	452,178	–	–
Proceeds from sale of share investments		683,382	4,994	150,000	–
Dividends and distributions:					
– Controlled entity		–	–	–	2,190,910
– Other corporations		6	9	–	–
		966,383	457,181	150,000	2,190,910
(b) Revenues from non-operating activities					
Interest:					
– Other corporations		286,818	141,797	1	–
Proceeds from sale of non-current assets		25,542	2,559	–	–
Gain on reduction of equity interest in a controlled entity	<i>3(c)</i>	3,400,529	12,029,195	–	–
Other		54	–	–	–
		3,712,943	12,173,551	1	–
Total revenues from ordinary activities		4,679,326	12,630,732	150,001	2,190,910

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$

NOTE 3 – EXPENSES AND LOSSES (GAINS)

(a) Expenses

Depreciation of non-current assets	362,855	88,339	–	–
Rental expense relating to operating lease	122,553	83,129	–	–
Provision for employee entitlement	96,888	86,814	–	–
Provision for diminution of equity investments	18,179,229	204,878	–	–
Superannuation contribution	296,484	152,634	–	–

(b) Losses (Gains)

Net loss (gain) on disposal of property, plant and equipment	(4,563)	–	–	–
Net loss (gain) on disposal of financial assets	(529,578)	6,961	–	–
Net loss (gain) on disposal of investment in controlled entities	–	–	(148,500)	–

(c) Significant items

Profit (Loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:

(i) Gain on reducing equity interest in controlled entity	(3,400,529)	(12,029,195)	–	–
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The directors are of the opinion that the gain made by the Parent Entity on its reduction of equity interest in GoConnect Ltd, a controlled entity, be brought into the calculation of the Consolidated Entity's operating results in order to reflect the significant contribution from GoConnect Ltd, a successful establishment of the Consolidated Entity's internet business. The gain arose as a result of the issue of shares by GoConnect Ltd to interests outside the Sino group at a price which was considerably in excess of the price at which the investment had been acquired by the entities within the Sino group.

(ii) Write-off of prepayment	5,625,000	–	–	–
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Subject to receiving GoConnect Ltd's shareholder approval, GoConnect Ltd ("GCN") has entered into an agreement with Simon Richards Group Pty Ltd ("SRG") for a selective buyback of all shares held by SRG in GCN ("the SRG shares") for a total consideration of \$1. Thereafter, the SRG shares (22.5 million) will be cancelled. These shares were provided by SRG as security against a prepayment of \$5,625,000 by the GCN group to SRG for the provision of advertising and marketing services. Under the service agreement with SRG, the rights of the GCN group to recoupment of the prepayment are limited to the value of the SRG shares. The service agreement with SRG expired on 30 June 2001. Consequently the full amount of the prepayment of \$5,625,000 has been written off during the reporting period.

(iii) Provision for diminution of equity investments	18,179,229	204,878	–	–
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A full provision of \$27.16 million including a write-off of \$8.9 million against Asset Revaluation Reserve was made for the Consolidated Entity's 49.5 per cent investment in China Hotel Holdings Ltd. Refer to *Note 7* for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 4 – INCOME TAX EXPENSE

(a) The prima facie tax (credit) on profit (loss) from ordinary activities before income tax is reconciled to the income tax (credit) as follows:

Prima facie tax payable (credit provided) on profit (loss) from ordinary activities before income tax at 34 per cent (2000: 36 per cent)

(9,949,935)	1,797,888	38,895	741,097
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Add (Deduct) tax effect of:

Gain on reduction of equity interest in a controlled entity

(1,156,180)	(4,330,510)	–	–
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Sundry items

1,116	(72,800)	–	–
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Write-off of over provision for income tax in prior year

–	(285,499)	–	–
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Future income tax benefits not brought to account

11,104,999	2,890,921	–	–
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Utilisation of prior year tax losses

–	–	–	(12,484)
---	---	---	----------

Tax losses transferred from controlled entities

–	–	(38,895)	(728,613)
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Income tax expense (benefit) attributable to operating profit (loss)

–	–	–	–
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(b) Future income tax benefits not brought to account comprise:

Tax losses (2001: 30 per cent; 2000: 34 per cent)

3,378,484	3,615,288	–	–
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Timing differences (2001: 30 per cent; 2000: 34 per cent)

8,253,361	374,970	1,800	2,040
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11,631,845	3,990,258	1,800	2,040
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NOTE 5 – DIVIDENDS PAID OR PROPOSED

Dividend franking account

As at 30 June 2001, the Parent Entity's Dividend Franking Account had a balance of \$Nil. (2000: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$

NOTE 6 – RECEIVABLES

Current

Trade debtors	22,848	10,041	–	–
Other debtors	349,929	48,778	340	–
	372,777	58,819	340	–

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade debtors are non-interest bearing and generally on 14 to 30 day terms.
- (ii) Other debtors are non-interest bearing and have repayment terms between 30 and 90 days.

NOTE 7 – OTHER FINANCIAL ASSETS

Current

Investments in corporations listed on a prescribed stock exchange, at cost	1,846	919,803	–	–
<i>Less:</i> Provision for diminution	(42)	(846,601)	–	–
	1,804	73,202	–	–
Investments in unlisted options in corporations listed on a prescribed stock exchange, at cost	–	1,180	–	–
	1,804	74,382	–	–

Listed shares are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

Non-current

Investments in controlled entities, at cost	–	–	8,801,164	7,768,564
<i>Less:</i> Provision for diminution	–	–	(4,529,623)	(4,529,622)
	–	–	4,271,541	3,238,942
Investments in other corporations:				
– At directors' valuation	27,161,576	27,161,576	–	–
<i>Less:</i> Provision for diminution	(27,161,576)	–	–	–
	–	27,161,576	–	–
– At cost	3,000,000	3,000,000	3,000,000	3,000,000
	3,000,000	30,161,576	7,271,541	6,238,942

Included in the above "Investments in other corporations" are a 49.5 per cent interest in China Hotel Holdings Ltd ("CHH") which holds a 92 per cent indirect interest in the resort project in Dalian through its controlled entity, Golden Pebble Beach Development Ltd, a company incorporated in the British Virgin Islands, and a 20 per cent interest in Multelink Australia Ltd for \$3 million.

A full provision of \$27.16 million was made against the Consolidated Entity's 49.5 per cent interest in China Hotel Holdings Ltd.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 7 – OTHER FINANCIAL ASSETS (cont'd)

Non-current (cont'd)

Following the announcement by China Construction Holdings Ltd (“CIH”), that its floating rate note holders have petitioned for the winding up of that company, the Board of the Parent Entity believes that the ability of CIH to provide further funding on the Dalian project is no longer possible. CIH’s funding of the development of the Dalian project was agreed under the agreement dated 26 June 1997 (“the Agreement”) entered into between Sino Business Services Pty Ltd and China Construction Realty Ltd, a wholly owned subsidiary of CIH.

In this circumstance, the Board of the Parent Entity believes that the lack of funding for the on-going development of the Dalian project may jeopardize the land use right title of the project and accordingly, it would be prudent to provide fully against the Consolidated Entity’s investment in the project. Advice received from the Company’s legal advisor supports the view: that CIH’s failure to finance the on-going development of the project represents a breach of the Agreement dated 26 June 1997, that the Consolidated Entity will have no further liability under the Agreement, and that further consideration is being given to the Consolidated Entity’s right of action for the recovery from CIH of the \$500,000 deposit lodged with China Construction Realty Ltd.

Negotiations for the recovery of this deposit from CIH are at an advanced stage, although no provision was made in the accounts for this recovery as at 30 June 2001.

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Office and computer equipment – at cost	1,663,022	1,028,698	–	–
<i>Less: Accumulated depreciation</i>	(518,539)	(208,816)	–	–
	1,144,483	819,882	–	–
Motor vehicles – at cost	215,832	250,288	–	–
<i>Less: Accumulated depreciation</i>	(150,145)	(154,424)	–	–
	65,687	95,864	–	–
Furniture and fittings – at cost	242,120	231,566	–	–
<i>Less: Accumulated depreciation</i>	(71,058)	(40,005)	–	–
	171,062	191,561	–	–
Staff amenities – at cost	1,487	1,487	–	–
<i>Less: Accumulated depreciation</i>	(1,006)	(894)	–	–
	481	593	–	–
Professional library – at cost	2,930	2,930	–	–
<i>Less: Accumulated depreciation</i>	(2,930)	(2,930)	–	–
	–	–	–	–
Leasehold improvements – at cost	38,353	38,353	–	–
<i>Less: Accumulated amortisation</i>	(38,353)	(38,353)	–	–
	–	–	–	–
Total property, plant and equipment, at net book value	1,381,713	1,107,900	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		\$	\$	\$	\$
NOTE 9 – OTHER ASSETS					
Current					
Prepayments		621,947	7,641,322	–	–
Amounts receivable from controlled entities	22(c)	–	–	47,392	822,819
ASIC refundable deposits	25	20,000	20,000	–	–
		641,947	7,661,322	47,392	822,819

Details of the terms and conditions of amounts receivables from controlled entities are set out in *Note 22*.

NOTE 10 – PAYABLES

Current

Trade creditors		16,645	39,441	–	–
Other creditors		198,403	175,935	–	–
Accruals		414,679	372,109	–	–
		629,727	587,485	–	–

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade creditors are non-interest bearing and are normally settled on 14 to 30 day terms.
- (ii) Other creditors are non-interest bearing and have an average term of 18 months.
- (iii) Accruals are non-interest bearing and have an average term of 90 days.

NOTE 11 – PROVISIONS

Current

Employee entitlements		304,532	217,594	–	–
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Non-current

Employee entitlements		26,608	16,658	–	–
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NOTE 12 – OTHER LIABILITIES

Current

Amounts payable to controlled entities	22(c)	–	–	37,672	41,363
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Details of the terms and conditions of amounts payable to controlled entities are set out in *Note 22*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>

NOTE 13 – CONTRIBUTED EQUITY

(a) Issued and paid up capital

Fully paid ordinary shares	10,800,253	10,665,253	10,800,253	10,665,253
Partly paid ordinary shares with 49 cents per share outstanding	28,000	28,000	28,000	28,000
Partly paid ordinary shares with 79.9 cents per share outstanding	500	500	500	500
	10,828,753	10,693,753	10,828,753	10,693,753

<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>Number of shares</i>	<i>Number of shares</i>	<i>\$</i>	<i>\$</i>

(b) Movements in ordinary shares on issue

(i) Fully paid

Balance at the beginning of the financial year	14,120,505	13,600,505	10,665,253	9,400,253
Issued during the year:				
– Private placement	–	500,000	–	1,250,000
– Exercise of share options	180,000	20,000	135,000	15,000
Balance at the end of the financial year	14,300,505	14,120,505	10,800,253	10,665,253

(ii) Partly paid with 49 cents per share outstanding

Balance at the beginning of the financial year	2,800,000	2,800,000	28,000	28,000
Issued during the year	–	–	–	–
Balance at the end of the financial year	2,800,000	2,800,000	28,000	28,000

(iii) Partly paid with 79.9 cents per share outstanding

Balance at the beginning of the financial year	500,000	500,000	500	500
Issued during the year	–	–	–	–
Balance at the end of the financial year	500,000	500,000	500	500

(c) Share options

During the financial year, no options were issued over ordinary shares. At the end of the financial year, there was nil (2000: 180,000) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Refer to ASX Additional Information section for details of terms and conditions attached to fully paid and partly paid ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		\$	\$	\$	\$
NOTE 14 – RESERVES AND RETAINED PROFITS (ACCUMULATED LOSSES)					
General reserve	14(a)	15,429,724	12,029,195	–	–
Asset revaluation reserve	14(b)	–	8,982,348	–	–
Forfeited shares reserve	14(c)	2,413	2,413	1,000	1,000
		15,432,137	21,013,956	1,000	1,000
Retained profits (Accumulated losses)	14(d)	(19,834,175)	6,428,926	(3,545,115)	(3,659,509)

(a) General reserve

(i) Nature and purpose of reserve

The general reserve contains amounts of retained profits arose from gain on reduction of equity interest in a controlled entity.

(ii) Movements in reserve

Balance at the beginning of the financial year	12,029,195	–	–	–
Transfer from retained profits	3,400,529	12,029,195	–	–
Balance at the end of the financial year	15,429,724	12,029,195	–	–

(b) Asset revaluation reserve

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

(ii) Movements in reserve

Balance at the beginning of the financial year	8,982,348	8,982,348	–	–
Revalued assets downward	(8,982,348)	–	–	–
Balance at the end of the financial year	–	8,982,348	–	–

(c) Forfeited shares reserve

(i) Nature and purpose of reserve

The forfeited share reserve is used to record shares forfeited.

(ii) Movements in reserve

Balance at the beginning of the financial year	2,413	2,413	1,000	1,000
Movements during the year	–	–	–	–
Balance at the end of the financial year	2,413	2,413	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 14 – RESERVES AND RETAINED PROFITS (ACCUMULATED LOSSES) (cont'd)

(d) Retained profits (Accumulated losses)

Balance at the beginning of the financial year	6,428,926	12,089,038	(3,659,509)	(5,718,113)
Net profit (loss) attributable to members of the Parent Entity	(22,862,572)	6,369,083	114,394	2,058,604
Total available for appropriation	(16,433,646)	18,458,121	(3,545,115)	(3,659,509)
Aggregate of amounts transferred to the general reserve	(3,400,529)	(12,029,195)	–	–
Balance at the end of the financial year	(19,834,175)	6,428,926	(3,545,115)	(3,659,509)

NOTE 15 – OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities

– Share capital	9,462,576	3,688,924	–	–
– Retained profits (Accumulated losses)	(7,396,129)	(1,374,950)	–	–
	2,066,447	2,313,974	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

Consolidated Entity

2001 **2000**

\$ \$

Parent Entity

2001 **2000**

\$ \$

NOTE 16 – NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash flows from operations with operating profit (loss) after income tax

Operating profit (loss) after income tax	(29,264,516)	4,994,133	114,394	2,058,604
Non-cash flows in operating profit (loss):				
Net (profit) loss on disposal of financial assets	(529,578)	6,961	–	–
Net (profit) loss on disposal of investments in controlled entities	–	–	(148,500)	–
Net (profit) loss on disposal of non-current assets	(4,563)	–	–	–
Depreciation	362,855	88,339	–	–
Provision for diminution in financial assets	18,179,177	204,878	–	–
Gain on reduction of equity interest in a controlled entity	(3,400,529)	(12,029,195)	–	–
Write-off of expired unlisted options	1,180	–	–	–
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:				
(Increase) Decrease in trade & other debtors	(175,399)	22,848	–	–
(Increase) Decrease in prepayments	6,637,038	(5,626,396)	–	–
(Increase) Decrease in GST Input Tax Credit	(41,715)	–	(337)	–
(Increase) Decrease in plant and equipment	1,578	–	–	–
(Increase) Decrease in inter-company receivables	–	–	26,334	6,000
Increase (Decrease) in trade creditors & accruals	64,367	293,915	–	–
Increase (Decrease) in deferred income	–	(2,917)	–	–
Increase (Decrease) in provisions	96,888	86,814	–	–
Increase (Decrease) in withholding tax payable	68,824	–	–	–
Increase (Decrease) in inter-company payables	–	–	(200)	(1,000)
Net cash provided by (used in) operating activities	(8,004,393)	(11,960,620)	(8,309)	2,063,604

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 16 – NOTES TO STATEMENTS OF CASH FLOWS (cont'd)

(b) Reconciliation of cash

Cash balance comprises:

– Cash at bank	886,241	365,389	3,037	14,846
– Deposits at call	3,169,547	1,842,958	–	–
	4,055,788	2,208,347	3,037	14,846

(c) Non-cash financing and investing activities

There was no non-cash financing and investing activities during the financial year.

(d) Financing facilities

There are no credit facilities with any financial institutions.

NOTE 17 – AUDITORS' REMUNERATION

(a) Amounts received or due and receivable by the Parent Entity's auditors for:

– an audit or review of the financial report of the Parent Entity and any other entity in the Consolidated Entity

	32,000	33,500	6,000	6,000
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(b) Amounts received or due and receivable by auditors other than the Parent Entity's auditors for:

– an audit or review of the financial report of controlled entities

– other services in relation to the controlled entities

	44,000	25,000	–	–
	53,819	335,781	–	–
	97,819	360,781	–	–
	129,819	394,281	6,000	6,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 18 – DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Remuneration of directors

The aggregate of the income paid or payable to all directors of the Parent Entity, directly or indirectly, by the Parent Entity or any related party

<u>220,195</u>	<u>187,059</u>
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The aggregate of the income paid or payable to all directors of each entity in the Consolidated Entity, directly or indirectly, by the entities of which they are directors or any related party.

<u>684,649</u>	<u>379,507</u>
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Number of Parent Entity's directors whose income from the Parent Entity and any related bodies corporate fell within the following bands was:

	<i>No.</i>	<i>No.</i>
\$0 – \$9,999	2	2
\$180,000 – \$189,999	–	1
\$220,000 – \$229,999	1	–

(b) Remuneration of executives

Remuneration received or due and receivable by executive officers (executive directors' remuneration are included in *Note 18(a)*) of the Consolidated Entity whose remuneration is \$100,000 or more, from entities in the Consolidated Entity or a related party, in connection with the management of the affairs of the entities in the Consolidated Entity whether as an executive officer or otherwise

<u>616,646</u>	–
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The number of executives of the Consolidated Entity and the Parent Entity whose remuneration falls within the following bands:

	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
\$100,000 – \$109,999	1	–	–	–
\$110,000 – \$119,999	2	–	–	–
\$130,000 – \$139,999	1	–	–	–
\$140,000 – \$149,000	1	–	–	–

These executives are all executives of GoConnect Ltd group.

(c) Prescribed benefits approved at general meeting

There were no prescribed benefits given and approved at general meeting during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 19 – SEGMENT INFORMATION

(a) Industry segment

The Consolidated Entity operates in and derives revenue from the following industries: Sharebroking & Underwriting, Equity Investments and the Internet Media.

	<i>Sharebroking & Underwriting</i>		<i>Equity Investments</i>		<i>Internet Media</i>		<i>Elimination</i>		<i>Consolidated Entity</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue derived from external customers	158,482	451,804	–	–	124,513	–	–	–	282,995	451,804
Other revenue	–	–	683,439	5,003	284,654	113,196	–	–	968,093	118,199
Inter-segment revenues	710,230	274,350	9	–	–	–	(710,239)	(274,350)	–	–
Unallocated revenue	–	–	–	–	–	–	–	–	3,428,238	12,060,729
Total revenue	868,712	726,154	683,448	5,003	409,167	113,196	(710,239)	(274,350)	4,679,326	12,630,732
Segment result	375,632	520,180	(17,650,772)	(211,830)	(13,514,721)	(5,591,530)	(709,436)	(254,404)	(31,499,297)	(5,537,584)
Unallocated expenses									(1,193,457)	(1,529,012)
Unallocated revenue									3,428,238	12,060,729
Consolidated operating profit (loss)									(29,264,516)	4,994,133
Segment assets	5,311	10,461	3,001,804	27,235,958	5,994,732	13,431,636	–	–	9,001,847	40,678,055
Unallocated assets									452,182	594,291
Total assets									9,454,029	41,272,346

(b) Geographical segment

The Consolidated Entity operates predominantly in Australia.

	<i>Australia</i>		<i>Other</i>		<i>Elimination</i>		<i>Consolidated Entity</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue derived from external customers	966,383	451,804	–	–	–	–	966,383	451,804
Other revenue	312,411	169,678	–	–	–	–	312,411	169,678
Inter-segment revenues	15,909,147	–	25,300	–	(15,934,447)	–	–	–
Unallocated revenue	–	–	–	–	–	–	3,400,532	12,009,250
Total revenue	17,187,941	621,482	25,300	–	(15,934,447)	–	4,679,326	12,630,732
Segment result	(16,276,633)	(7,009,969)	(16,389,208)	(5,148)	793	–	(32,665,048)	(7,015,117)
Unallocated expenses							–	–
Unallocated revenue							3,400,532	12,009,250
Consolidated operating profit (loss)							(29,264,516)	4,994,133
Segment assets	9,452,097	14,106,766	1,932	27,165,580	–	–	9,454,029	41,272,346
Unallocated assets							–	–
Total assets							9,454,029	41,272,346

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 20 – CONTROLLED ENTITIES

	<i>Note</i>	<i>Country of Incorporation</i>	<i>Percentage owned</i>	
			<i>2001 %</i>	<i>2000 %</i>
Chief Entity:				
Sino Securities International Ltd		Australia	–	–
Controlled entities of Sino Securities International Ltd:				
Sino Investment Services Pty Ltd		Australia	100.0	100.0
Sino Investments Pty Ltd		Australia	100.0	100.0
Sino Business Services Pty Ltd		Australia	100.0	100.0
SSI Nominees Pty Ltd		Australia	100.0	100.0
Sino Asset Management Pty Ltd		Australia	100.0	100.0
GoConnect Ltd		Australia	61.3	76.6
Sino Finance Portal Pty Ltd	(a)	Australia	100.0	100.0
Sino Dalian Economic Development Corporation Pty Ltd		Australia	80.0	80.0
Sino GL Pty Ltd		Australia	100.0	100.0
SSI (Australia) Investments Ltd	(b)	Hong Kong	100.0	100.0
New Horizon Holdings Ltd	(b)	British Virgin Islands	–	100.0
Sino Resources Pty Ltd		British Virgin Islands	100.0	100.0
SSI China Resources Pty Ltd		British Virgin Islands	100.0	100.0
Sino Hong Kong Business Ltd	(b)	British Virgin Islands	–	100.0
Leisureline Holdings Ltd		British Virgin Islands	100.0	100.0

(a) Change of name

Sino Finance Portal Pty Ltd was previously known as CM Pharmaceutical Pty Ltd. The change of name was effective from 23 February 2001.

(b) Streamline corporate structure

In order to streamline the corporate structure of the Consolidated Entity, a number of non-trading overseas incorporated companies were or are in the process of being de-registered. These companies include New Horizon Holdings Ltd and Sino Hong Kong Business Ltd which were de-registered from the company registrar of the British Virgin Islands and SSI (Australia) Investments Ltd which is in the process of being de-registered from the company registrar of Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

Consolidated Entity
2001 *2000*

NOTE 21 – NOTES TO EARNINGS (LOSS) PER SHARE

	\$	\$
(a) The following reflects the income (loss) data used in the calculation of basic and diluted earnings (loss) per share		
Net profit (loss)	(29,264,516)	4,994,133
Net loss (profit) attributable to outside equity interest	<u>6,401,944</u>	<u>1,374,950</u>
Earnings (Loss) used in the calculation of basic earnings (loss) per share	(22,862,572)	6,369,083
<i>Add:</i>		
Imputed earnings after income tax on funds receivable on exercise of options issued	–	<u>4,863</u>
Earnings (Loss) used in the calculation of diluted earnings (loss) per share	(22,862,572)	<u>6,373,946</u>

	Number of shares	Number of shares
--	---------------------	---------------------

(b) The following reflects the share data used in the calculation of basic and diluted earnings (loss) per share

Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share	14,288,418	14,134,944
<i>Effect of dilutive securities:</i>		
Weighted average number of potential ordinary shares relating to share options issued	<u>68,712</u>	<u>194,864</u>
Weighted average number of potential ordinary shares used in the calculation of diluted earnings (loss) per share	<u>14,357,130</u>	<u>14,329,808</u>

(c) Conversions, calls, subscriptions or issues after 30 June 2001

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 22 – OTHER RELATED PARTY DISCLOSURES

(a) Directors

The names of each person holding the position of director of the Parent Entity, Sino Securities International Ltd, during the financial year were Mr. Bruce L. Mathieson, Mr. Man Ban Lee and Mr. Richard Li. Mr. Richard Li is the Managing Director and was the only full time director of the Parent Entity employed by the Consolidated Entity during the financial year.

(b) Related party transactions

(i) Office space and office facilities were provided at no charge by Sino Investment Services Pty Ltd and GoConnect Australia Pty Ltd to other members of the Consolidated Entity.

(ii) Prior to September 2000, Mr. Alexander Li, a brother of Mr. Richard Li, provided consultancy and marketing services to the Consolidated Entity and acted as the Consolidated Entity's representative in Hong Kong, China, and other places as required by the Consolidated Entity on normal commercial terms and conditions. Total amount paid to Mr. Alexander Li during the financial year was \$28,985.

(iii) Mr. Jaginder Singh Pasricha, a director of GoConnect Ltd, is a partner of Pasricha Partners which has provided legal services to the Consolidated Entity on normal commercial terms and conditions. Total amount paid and payable to Pasricha Partners during the financial year was \$207,200 of which \$35,225 was outstanding as at 30 June 2001.

(c) Wholly-owned group transactions

(i) Loans receivable by Sino Securities International Ltd from wholly owned subsidiaries are interest free loans with no fixed repayment dates.

(ii) Loans payable by Sino Securities International Ltd to wholly owned subsidiaries are interest free loans with no fixed repayment dates.

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$	\$	\$	\$

NOTE 23 – EXPENDITURE COMMITMENTS

(a) Operating lease commitments

– not later than 1 year	118,150	103,490	–	–
– later than 1 year but not later than 2 years	85,126	103,490	–	–
– later than 2 years but not later than 5 years	–	86,241	–	–
– later than 5 years	–	–	–	–
	203,276	293,221	–	–

The operating leases are in respect of the Consolidated Entity's office accommodations.

(b) Other commitments

– not later than 1 year	51,250	6,107,978	–	–
– later than 1 year but not later than 2 years	–	12,411,513	–	–
– later than 2 years but not later than 5 years	–	3,465,840	–	–
– later than 5 years	–	–	–	–
	51,250	21,985,331	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 24 – FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate		
	2001	2000	1 year or less	1 to 5 years	Over 5 years	2001	2000	2001	2000	2001	2000	%	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Financial assets:													
Cash	1,055,788	2,208,347	-	-	-	-	-	-	-	1,055,788	2,208,347	4.09	4.71
Term deposit	-	-	3,000,000	-	-	-	-	-	-	3,000,000	-	4.71	-
Trade and other receivables	-	-	20,000	20,000	-	-	372,777	58,819	372,777	392,777	78,819	5.50	4.05
Listed shares	-	-	-	-	-	-	1,804	73,202	1,804	1,804	73,202	N/A	N/A
Unlisted shares	-	-	-	-	-	-	3,000,000	30,161,576	3,000,000	3,000,000	30,161,576	N/A	N/A
Unlisted options	-	-	-	-	-	-	1,180	-	-	-	1,180	N/A	N/A
Total financial assets	1,055,788	2,208,347	3,020,000	20,000	-	-	3,374,581	30,294,777	7,450,369	32,523,124			
Financial liabilities:													
Trade and other creditors	-	-	-	-	-	-	215,048	215,376	215,048	215,048	215,376	N/A	N/A
Accruals	-	-	-	-	-	-	414,679	372,109	414,679	414,679	372,109	N/A	N/A
Provision	-	-	-	-	-	-	331,140	234,252	331,140	331,140	234,252	N/A	N/A
Total financial liabilities	-	-	-	-	-	-	960,867	821,737	960,867	821,737			
Net financial assets	1,055,788	2,208,347	3,020,000	20,000	-	-	2,413,714	29,473,040	6,489,502	31,701,387			

N/A – Not applicable for non-interest bearing financial instruments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2001

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

NOTE 24 – FINANCIAL INSTRUMENTS (cont'd)

(b) Net fair values of financial assets and liabilities

The net fair values of monetary financial assets and liabilities not traded on an organised financial market have been valued at cost.

The net fair values of listed investments have been valued at the last quoted market price at balance date. For unlisted investments, where there is no organised financial market, the net fair value has been based on directors' estimates of net market values subject to future net cash flows.

For other financial assets and other financial liabilities, the net fair value approximates their carrying amounts.

(c) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and notes to the financial statements.

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

NOTE 25 – COMMITMENTS AND CONTINGENT LIABILITIES

Pursuant to the dealer's licence requirements of a controlled entity, the Consolidated Entity's bankers have issued an irrevocable guarantee to the Australian Securities and Investments Commission for \$20,000. This guarantee is secured by a \$20,000 refundable deposit held by National Australia Bank Ltd.

Apart from the above there were no other commitments or contingencies as at 30 June 2001.

NOTE 26 – EVENTS SUBSEQUENT TO BALANCE DATE

Subject to receiving GoConnect Ltd's shareholder approval, GoConnect Ltd ("GCN"), a controlled entity, has entered into an agreement with Simon Richards Group Pty Ltd ("SRG") for a selective buyback of all shares held by SRG in GCN ("the SRG shares") for a total consideration of \$1. Thereafter, the SRG shares (22.5 million) will be cancelled. These shares were provided by SRG as security against a prepayment of \$5,625,000 by the GCN group to SRG for the provision of advertising and marketing services. Under the service agreement with SRG the rights of the GCN group to recoupment of the prepayment are limited to the value of the SRG shares. The service agreement with SRG expired on 30 June 2001. Consequently the full amount of the prepayment of \$5,625,000 has been written off during the reporting period. GCN will convene a shareholders' meeting as soon as practicable to allow shareholders to consider the proposed buyback. The proposed share buyback will require approval by way of Special Resolution by 75% of shareholders attending the meeting. The effect of the buyback and cancellation of the SRG shares will be to increase the remaining shareholders equity share in GCN by approximately 7.5%.

With effect from 4 October 2001, the free ISP service provided by the GCN group will be discontinued thereby eliminating the operating cost for this service. The pay ISP, the Option Plan, will continue to expand its subscriber base.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Consolidated Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

DIRECTORS' DECLARATION

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

In accordance with a resolution of the directors of Sino Securities International Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Parent Entity and of the Consolidated Entity, as set out on pages 6 to 28, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Parent Entity's and Consolidated Entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

RICHARD LI
MANAGING DIRECTOR

Dated at Melbourne this 28th day of September 2001

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF SINO SECURITIES INTERNATIONAL LIMITED

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

SCOPE

We have audited the financial report of Sino Securities International Ltd and controlled entities for the financial year ended 30 June 2001 as set out on pages 6 to 29.

The financial report includes the consolidated financial statements of the Consolidated Entity comprising Sino Securities International Ltd and the entities it controlled at the end of the financial year or from time to time during the financial year. The Parent Entity's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Parent Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Parent Entity's and the Consolidated Entity's financial position and performance as represented by the results of their operations and their cash flows.

The names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditors are Sino GL Pty Ltd, Sino Dalian Economic Development Corporation Pty Ltd, Sino Finance Portal Pty Ltd, GoConnect Ltd and its controlled entities, SSI (Australia) Investments Ltd, Sino Resources Pty Ltd, SSI China Resources Pty Ltd and Leisureline Holdings Ltd. The accounts of these controlled entities are not audited by us. However, we have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Sino Securities International Ltd and controlled entities is in accordance with:

1. the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Parent Entity's and the Consolidated Entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. other mandatory professional reporting requirements.

BENTLEYS MRI
CHARTERED ACCOUNTANTS

GEOFFREY J KELLY
PARTNER

Dated at Melbourne this 28th day of September 2001

ASX ADDITIONAL INFORMATION

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information of Sino Securities International Ltd set out below was applicable as at 18 September 2001.

DISTRIBUTION OF EQUITY SECURITIES

The numbers of shareholders, by size of holding, in each class of share:

	<i>Fully Paid</i>	<i>Partly Paid, paid to 1 cent</i>	<i>Partly Paid, paid to 0.1 cent</i>
1 - 1,000	378	–	–
1,001 - 5,000	350	–	–
5,001 - 10,000	86	–	–
10,001 - 100,000	130	–	–
100,001 and over	24	1	1
	<hr/> 968	<hr/> 1	<hr/> 1
 The number of shareholders holding less than a marketable parcel of shares is:	 <hr/> 570	 <hr/> –	 <hr/> –

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders of quoted ordinary shares:

<i>Name</i>	<i>Quoted ordinary shares</i>	
	<i>Number of shares</i>	<i>Percentage of ordinary shares</i>
1 Investment Holdings Pty Ltd	1,167,400	8.16
2 BLM Holdings Pty Ltd	1,000,000	6.99
3 Mannab Holdings Inc.	1,000,000	6.99
4 SSI Nominees Pty Ltd	805,748	5.63
5 ANZ Nominees Ltd	672,200	4.70
6 Royaldawn Pty Ltd (Your Coll Aust Emp Inc A/C)	530,736	3.71
7 Zebrahill Pty Ltd	500,000	3.50
8 Partners Investments Ltd	495,535	3.47
9 Frijlink Pty Ltd (Hugo Frijlink Family A/C)	424,500	2.97
10 Bellwether Offshore Services Ltd	397,880	2.78
11 J Serry Pty Ltd (J Serry P/L Superfund A/C)	243,000	1.70
12 Royaldawn Pty Ltd	230,000	1.61
13 Grocon Pty Ltd	201,000	1.41
14 HSBC Custody Nominees (Australia) Ltd	193,200	1.35
15 Tiger Investment Company Ltd	190,000	1.33
16 Fopar Nominees Pty Ltd	185,393	1.30
17 Krysmont Pty Ltd (The Jamieson Unit A/C)	160,000	1.12
18 Tower Trust Ltd	151,319	1.06
19 National Nominees Ltd	133,968	0.94
20 Mr. David Geoffrey Keating	128,594	0.90
	<hr/> 8,810,473	<hr/> 61.62

ASX ADDITIONAL INFORMATION (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

SUBSTANTIAL SHAREHOLDERS

The number of ordinary shares held by the substantial shareholders:

<i>Shareholder</i>	<i>(Number of Ordinary Shares)</i>		
	<i>Fully Paid</i>	<i>Partly Paid, paid to 1 cent</i>	<i>Partly Paid, paid to 0.1 cent</i>
Investment Holdings Pty Ltd	1,167,400	–	–
BLM Holdings Pty Ltd	1,000,000	–	–
Mannab Holdings Inc.	1,000,000	–	–
Eighteen Pty Ltd	–	2,800,000	500,000

VOTING RIGHTS

The voting rights attaching to the ordinary shares, set out in clauses 71 and 72 of the Parent Entity's Constitution, are:

- (a) subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, every member present in person or by proxy or by attorney or by a duly authorised representative shall on a show of hands have one vote; and
- (b) on a poll every member present in person or by proxy or by attorney or by a duly authorised representative shall:
 - (i) have one vote for each fully paid share he holds;
 - (ii) have a fraction of a vote for each partly paid share he holds. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amount paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

PARTLY PAID ORDINARY SHARES

The 2,800,000 ordinary shares partly paid to 1 cent and the 500,000 ordinary shares partly paid to 0.1 cent are held by Eighteen Pty Ltd, a company in which Mr. Richard Li has an interest.

STOCK EXCHANGE LISTING

The fully paid ordinary shares of Sino Securities International Ltd are quoted on the Australian Stock Exchange ("ASX") under ASX code "SSI", with Melbourne being the home exchange and on the Munich and Stuttgart Stock Exchanges as secondary listing with the German stock symbol of "XSS GR".

ON-MARKET BUY-BACK

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

CORPORATE GOVERNANCE STATEMENT

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board composition

The Board consists of three directors with a non-executive Chairman.

The composition of the Board is determined having regard to the following factors:

- the Parent Entity's Constitution states that the number of directors be not less than three, and not more than eight; and
- the Chairman of the Board should be a non-executive director.

Appointment and retirement of directors

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

The retirement age for directors is seventy-two unless it is changed by the shareholders.

Access to professional advice

Directors may seek independent professional advice at Sino's expense.

Remuneration

The Board reviews the succession planning for Executive Management and sets the remuneration packages applicable to the Managing Director and senior officers, including incentive performance packages, superannuation benefits and fringe benefit policies.

AUDIT COMMITTEE

The Parent Entity has an Audit Committee which currently comprises:

- Mr. Richard Li (*Managing Director*); and
- Ms. Samantha Tse (*Company Secretary*).

The responsibilities of the Audit Committee include:

- reviewing external audit reports to ensure that any major deficiencies or breakdowns in controls or procedures have been identified and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual statutory audit and half-year limited review are conducted in an effective manner;
- reviewing accounting policies and practices; and
- reviewing the consolidated financial statements and other information distributed externally.

The Audit Committee meets with the external auditors during the year to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit.

BUSINESS RISKS

The Board has established controls that are designed to protect the Consolidated Entity's interests, in order to ensure that:

- the Board is aware of all material issues;
- legislative obligations of disclosure are met; and
- risks in the business are identified and action taken to minimise those risks.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, and recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon procedures, policies, guidelines and organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

ETHICAL STANDARDS

The following matters have been communicated to all directors, managers and employees:

- professional conduct;
- dealing with clients;
- honesty;
- conflicts of interest;
- disclosure; and
- dealing with other employees.

They are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Consolidated Entity.

THE ROLE OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments through the annual report, the half-yearly report and the encouragement of full participation in the Annual General Meeting.

CORPORATE INFORMATION

SINO SECURITIES INTERNATIONAL LIMITED ABN 99 006 620 739 AND CONTROLLED ENTITIES

DIRECTORS

Mr. Man Ban Lee, SBS, MBE, JP, FCPA, FHKSA, FCIS (*Chairman*)
Mr. Richard Li, B Bus. (*Managing Director*)
Mr. Ian A Johnston, B.Bus., AIBF (Snr)

COMPANY SECRETARY

Ms. Samantha Tse, B.Ec

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National Australia Bank Ltd
HSBC Bank Australia Ltd

SHARE REGISTRY

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