

SINO SECURITIES INTERNATIONAL LIMITED

A.B.N. 99 006 620 739



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ANNUAL REPORT 2002

INVESTMENT BANKERS

CORPORATE DIRECTORY

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)

Ms. Katherine Cheng, CPA, M.Com., B.Bus., AHKSA, CPA(Aust), FCIS (*Alternate director for Mr. M. B. Lee*)

COMPANY SECRETARY

Ms. Samantha Tse, B.Ec.

REGISTERED OFFICE

Level 3, 43-51 Queen Street

Melbourne Victoria 3000

Australia

Telephone : 61-3-9629-6615

Facsimile : 61-3-9614-1946

Web sites : <http://www.sino.com.au> <http://www.myprofit.com.au>
<http://www.goconnect.com.au> <http://www.gotrek.com.au>

Email : info@sino.com.au

AUDITORS

Bentleys MRI

Chartered Accountants

114 William Street

Melbourne Victoria 3000

Australia

BANKERS

National Australia Bank Ltd

HSBC Bank Australia Ltd

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 12, 565 Bourke Street

Melbourne Victoria 3000

Australia

Telephone : 61-3-9611-5711

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REPORT FROM THE MANAGING DIRECTOR

FINANCIAL PERFORMANCE REVIEW

Sino Securities International Limited (“SSI” or “the Company”) and its controlled entities (“together “the Sino Group”) continued to develop its investment banking and Internet media businesses during the financial year under review. For the financial year ended 30 June 2002, consolidated revenue from ordinary activities of the Sino Group declined 48.1 per cent to \$2.42 million from \$4.66 million of the previous corresponding year. Consolidated net loss attributable to shareholders of the Company fell 87.5 per cent to \$2.85 million, compared with a net loss of \$22.86 million of the previous corresponding year.

The consolidated financial performance of the Sino Group during the year under review were affected by the following factors:

- the earning of ISP subscription revenue following the introduction of a pay ISP service by GoConnect Ltd (“GCN”) during the year;
- the reduction of advertising sales by GCN due to the significant reduction in free ISP membership when the free service was discontinued during the year;
- lower accounting gain on the reduction in equity in GCN;
- the lack of corporate underwriting income compared to the previous corresponding period, when GCN was listed on the Australian Stock Exchange (“ASX”) and its capital raising was underwritten by Sino Investment Services Pty Ltd; and
- lower brokerage income due to the significant decline in investor transactions on the ASX.

If GCN’s results were not consolidated into the Sino Group’s results, the Sino Group’s net loss for the year under review would be reduced to \$0.57 million.

GOCONNECT LTD

GoConnect Ltd (“GCN”) implemented a number of initiatives during the year in accordance with its media strategy and its strategy for continuing cost rationalization. Operational and ISP network costs were reduced substantially. This, together with the revamp of the ISP operation from free to pay, led to a much improved financial performance for the year compared to the previous corresponding period. For the year ended 30 June 2002, GCN’s revenue increased 98% to \$808,434 and net loss decreased by 71% to \$3.86 million.

GCN’s media strategy has been progressively implemented over the past 12 months and the

company now boasts 10 video content channels on its GoTrek TV with additional channels including a series of celebrity channels in the pipeline. A number of GoTrek distribution affiliate partners have also signed on with GCN. The branded GoTreks for most of these affiliates have already been launched and are available for downloading by the online community from anywhere in the world. Primus Telecommunications (“Primus”) is GCN’s latest affiliate. The addition of Primus to the GCN’s growing list of GoTrek distribution partnerships is a breakthrough for GCN. Primus’s ISP division, iPrimus, operates one of the top three ISPs in Australia with over 400,000 subscribers. Collectively the target audience for GoTrek TV that will be promoted to by the affiliates directly exceeds 1.4 million people.

GCN has also announced its “Mobile Media” distribution strategy via the GPRS (General Packet Radio Service) network. GPRS mobile phone services have only recently been promoted by mobile service providers in a number of major markets including Australia. GCN believes that its GPRS GoTrek TV will be a killer application to promote the usage of GPRS mobile phone services. Pre-installation of GoTrek onto GPRS mobile phones will be available by early 2003. GCN has opened discussions with major mobile service providers in Australia and Asia as well as major handset manufacturers for the adoption of the GPRS GoTrek TV for the industry.

GCN has also announced the introduction in October 2002 of yet another unique technology for the mobile phone industry. An automated directory assistance software application, Direct Assist, which will enable the mobile phone user to search and retrieve phone numbers from online directory database directly onto the mobile phone, without the need to contact an operator for directory assistance. Direct Assist is expected to not only add another licensing income stream to GCN, it will also add value to the company’s media strategy by providing potentially an additional distribution channel for advertising and sponsorship messages.

On 1 October 2002, GCN made changes to its board of directors and senior management. Mr. Jaginder Singh Pasricha stepped down as non-executive chairman of GCN and remains on the board as a director. I was appointed executive chairman of GCN. Mr. Anthony Voglis, Senior General Manager, was appointed Senior General Manager, Media Sales and Production. Mr. Peter Barta, General Manager,

REPORT FROM THE MANAGING DIRECTOR (continued)

Affiliate Development and Relations, was appointed Senior General Manager, Operations.

The appointment of an executive chairman to GCN will further consolidate the hands-on approach to the management of GCN at the board level. Changes made to senior management will enable GCN to more effectively focus on the generation of advertising and sponsorship revenue.

SINO FINANCE PORTAL www.myprofit.com.au

Sino's finance portal at www.myprofit.com.au has continued to gain membership during the year. Sino's own branded GoTrek TV, myprofit.TV, has likewise continued to gain acceptance and audience. The Sino Group will continue to seek sponsorship opportunities for myprofit.TV.

During the financial year under review, myprofit.TV secured one sponsor and delivered outstanding results with clickthrough rates in double-digits to the sponsor. As GCN's affiliation strategy gains audience growth momentum, myprofit.TV can be expected to share with this growth and contribute a useful source of revenue to the Sino Group.

PHARMASAFE PTY LTD

SSI announced in February this year the formation of Pharmasafe Pty Ltd ("Pharmasafe") together with Professor T.C. Lin to own and commercialize the intellectual property of Professor Lin covering a number of major diseases including Hepatitis B and Arthritis. SSI owns 40% interest of Pharmasafe. Professor Lin advises that he has substantially completed his work on the application to the Australian Therapeutic Goods Administration ("TGA") for a herbal based product for use by Hepatitis B patients. This application is expected to be submitted to the TGA in coming weeks.

MULTELINK AUSTRALIA LTD

SSI invested \$3 million for 20% of Multelink Australia Ltd ("Multelink") in early 1999. During the 12 months to 30 June 2002, Multelink made significant progress in its penetration of the Australian telephony market. The company has also become profitable on a monthly basis since March 2002. Multelink advises that since the end of the financial year, it has continued to grow its customer base and profit margin.

On 2 September 2002, the Multelink story was positively reported on the Nine Network's A Current Affairs program. This has resulted in a significant lift in enquiries for the Multelink service, with a high

conversion rate of these enquiries to customers. Multelink also announced in this program the first time ever available to the business customers of a 22 cents call for the first 5 minutes anywhere in Australia service. It also announced the commencement of mobile service to business customers. Previously, Multelink found the cheapest rate for customers from other available telephony service providers. Due to its substantial telephony traffic volume, the company is now in a position to and is setting the pace in the market instead.

OUTLOOK

SSI is a specialist investment banking company which provides corporate and investment advice to companies that it sponsors. SSI has demonstrated its ability to promote and access capital for the businesses that it develops and helps to develop from different stages of concept to reality.

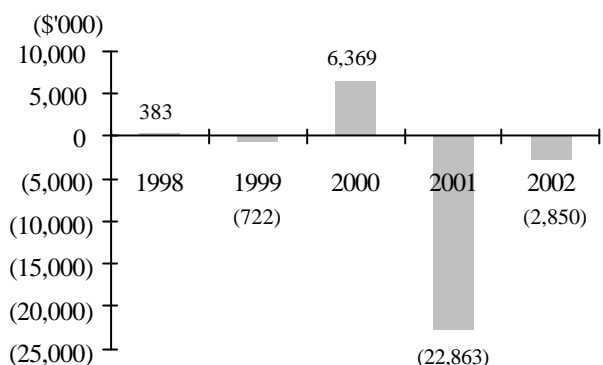
The two main investments of SSI, namely GCN and Multelink, have both been able to make tremendous progress in their respective business development in the last 2½ years of extremely harsh capital market environment. These companies were able to make tough decisions and implement them to adapt to the volatile and changing environment. Both GCN and Multelink have developed their businesses to the extent that they are now poised to accelerate their revenue growth in the coming months with much reduced cost bases. SSI also expects the capital market environment to start to improve over the next 12 months. When more positive sentiment returns to the capital market, SSI expects to see significant growth in the market value of its asset base. Pharmasafe's value to the SSI portfolio of assets will become more visible upon the successful application to the TGA of the company's first product.

I would like to thank all SSI and GoConnect staff for their hard work and dedication during a very trying 2001-2002 financial year. I would also like to thank all our business partners, shareholders, the board of GoConnect and my fellow directors on the SSI board, for their continuing support and confidence in the SSI management.

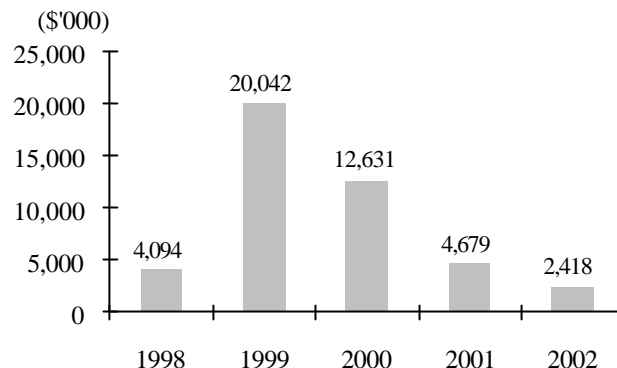
Richard Li
Managing Director
11 October 2002

FINANCIAL HIGHLIGHTS

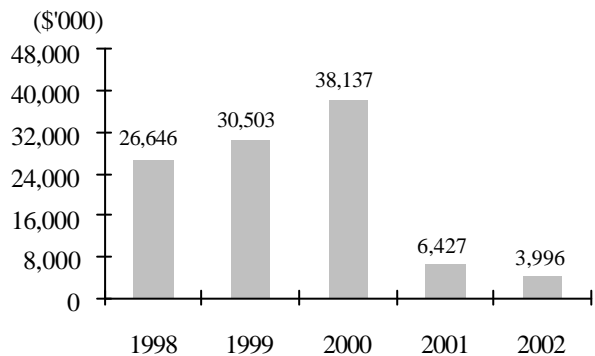
Operating Profit (Loss) Attributable to Members



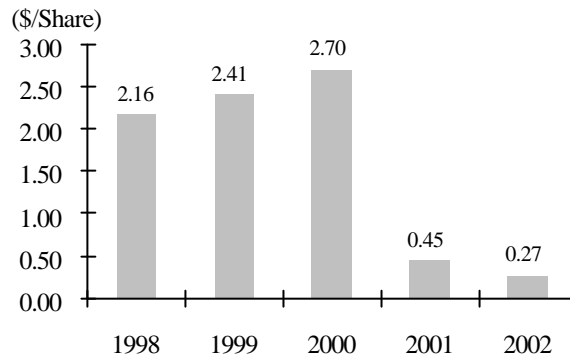
Revenue from Ordinary Activities



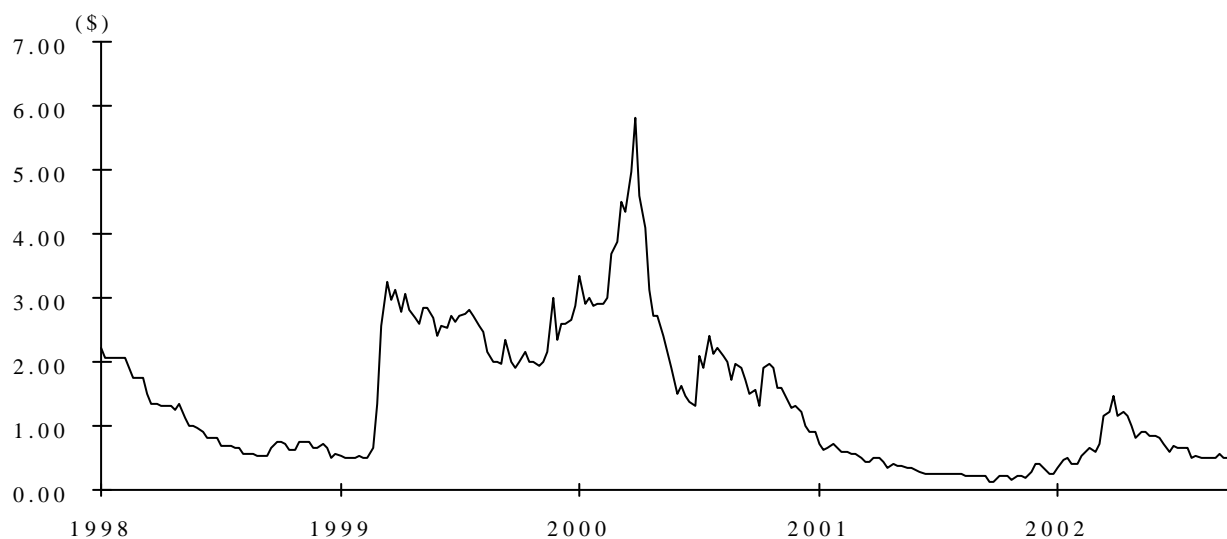
Shareholders' Equity Attributable to Members



Net Tangible Asset Backing

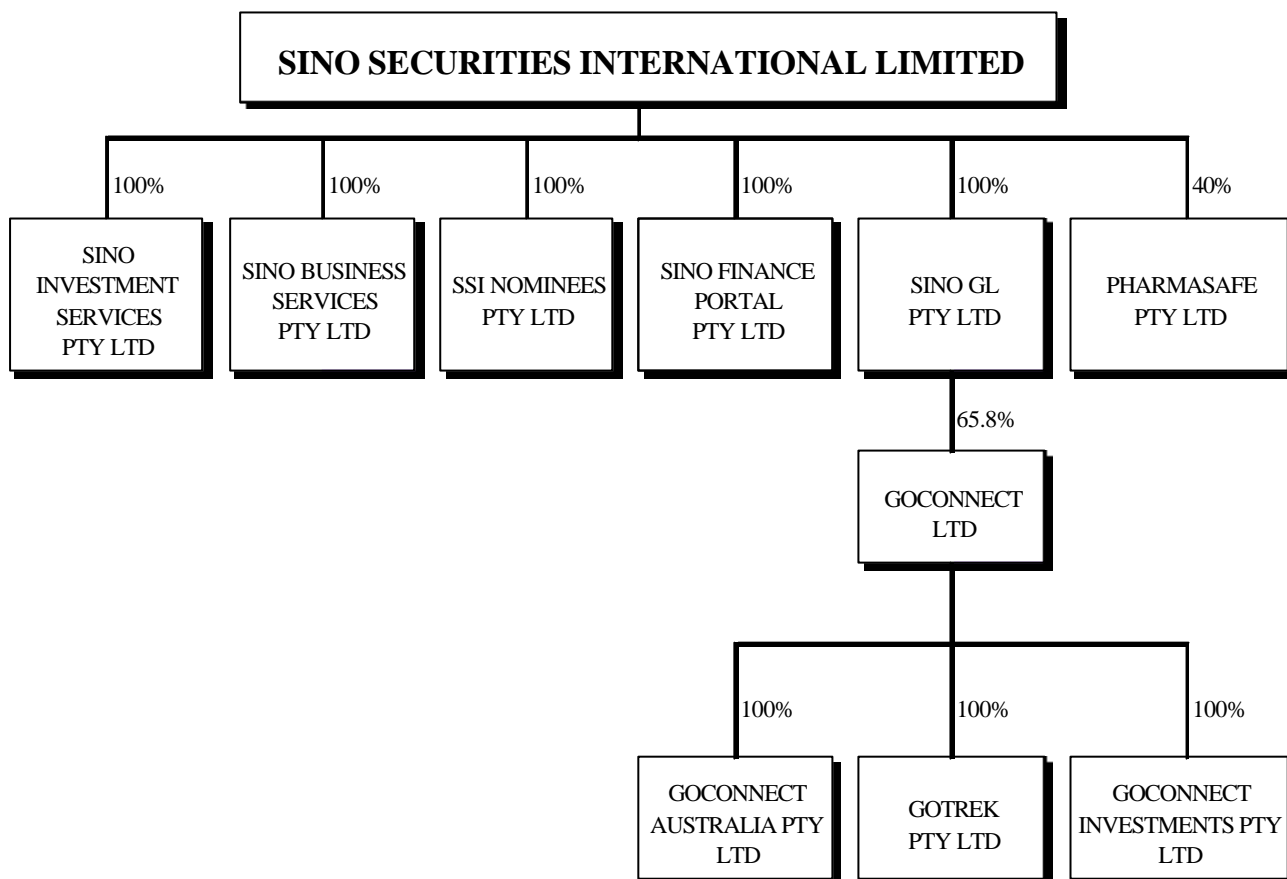


**Weekly Share Price Performance of Sino Securities International Limited ("SSI")
(From 2 January 1998 to 4 October 2002)**



THE SINO GROUP OF COMPANIES

Sino Securities International Limited is the holding company of the Sino Group of companies. The corporate structure of the Sino Group of operating companies as at 11 October 2002 is shown below.



COMPANY OVERVIEW

Sino Securities International Limited is an investment banking company listed on the Australian Stock Exchange with ASX code “SSI” and on the German Stock Exchange as a secondary listing with the German stock symbol of “XSS GR”. The Company and its management are supported by leading members of the South East Asian and Australian business and investment communities.

COMPANY ACTIVITIES AND CORPORATE OBJECTIVES

The principal activities of the Sino Group are investment banking and related financial services with a strong focus on the Internet media sector. Our primary objectives are to maximise the rate of return on shareholders’ funds and to maximise our clients’ returns on their investments.

YOUR INVESTMENT BANKING COMPANY

Through its wholly-owned subsidiary, Sino Investment Services Pty Ltd, a licensed securities dealer and investment adviser, the Sino Group offers a range of expert investment and related services including:

- Investment advice
- Corporate advisory and private client services
- Equity raisings/underwriting
- Economic and corporate research
- Investment management
- Nominee and custodian services
- Cash management trusts
- Direct investment

We provide our clients, both local and overseas, with highly professional services on an active and personal basis.

MANAGEMENT AND INVESTMENT POLICY

The Sino Group provides a flexible investment management service geared to satisfying the individual needs of each client. We are a specialist equity investment advisor and, realising that the investment requirements of each client are different, we offer a customised service that reflects this need. The key to successful equity management is quality stock selection and market timing. We have the experience and extensive contacts in both the Australian and Asian institutional, corporate and investment sectors to enable us to identify attractive investment opportunities for our clients.

CORPORATE ADVICE

With an extensive client base and corporate and institutional affiliations, the Sino Group has developed a strong reputation for assisting Australian and China companies with equity raisings and stock exchange listings and in developing their businesses in the Asian region. The Sino Group’s credibility in the investment community has been enhanced by successful underwritings of public company stock exchange listings, rights issues and joint venture equity raisings.

NOMINEE AND CUSTODIAN SERVICES

The Sino Group provides complete nominee and trustee services. All securities can be held by SSI Nominees Pty Ltd, a wholly-owned subsidiary of the Sino Group, on behalf of the client with total security. Securities can also be registered in the client’s name. We appreciate that clients may prefer to secure their own custodian services. We are able to assist in this regard.

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DIRECTORS' REPORT

The directors of Sino Securities International Limited (“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 2002.

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 is the Chairman of The Hong Kong Society for Rehabilitation, a voluntary organisation serving elderly and people with disabilities and chronic illness since 1959. Mr. Lee also serves on a number of Hong Kong statutory bodies including Equal Opportunities Commission as member and the Queen Elizabeth Foundation for the Mentally Handicapped as Chairman.

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

Mr. Li holds a Bachelor of Business degree from RMIT University with a major in Accounting. He later received post-graduate management education from Monash University. In addition to his experience in chartered accountancy gained from major international firms, Mr. Li has over 20 years experience in investment research, equity fund management, investment advisory services and stockbroking with major Australian institutions. Before establishing the Sino Group, he was the founder, Vice President and Director of Ord Minnett (Asia) Investment Services Pty Ltd, a member of Australia’s leading investment banking company Ord Minnett Ltd (now JPMorgan). He has successfully promoted Australian investments to Asian investors and entrepreneurs for many years. Mr. Li is a member of the Australian Institute of Company Directors.

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 and is a Senior Associate of the Australasian Institute of Banking and Finance. Prior to joining the Sino Group, Mr. Johnston held senior managerial positions with a number of major banks in Australia, specialising in commercial and retail banking. Mr. Johnston has over 18 years experience in banking as an analyst, administrator and relationship manager with both local and international groups. He is the General Manager, Operations, of the Sino Group, with responsibility for investment banking activities.

Ms. Katherine Cheng CPA, M.Com., B.Bus., AHKSA, CPA(Aust), FCIS

Ms. Cheng is a practising accountant in Hong Kong and acts as alternate director for Mr. M. B. Lee.

Mr. Bruce L. Mathieson

Mr. Mathieson is a significant investor, owner/operator in the Australian hotel industry and acted as chairman of the Parent Entity since 1990 until his resignation from the Board on 7 September 2001.

DIVIDENDS

The directors do not recommend the declaration of a dividend for the year ended 30 June 2002.

OPERATING 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 2002 amounted to \$2,850,344.

DIRECTORS' REPORT (continued)

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 2002, which are listed in *Note 19*.

Nature of operations and principal activities

The principal activities of the Consolidated Entity during the financial year ended 30 June 2002 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 29 employees as at 30 June 2002. (2001: 35 employees)

REVIEW OF OPERATIONS

A review of the operations of the Consolidated Entity during the financial year, and the results of those operations are contained in the Report from the Managing Director on pages 1 to 2.

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

Details of likely development in the operations of the Consolidated Entity in future financial years are contained in the Report from the Managing Director on pages 1 to 2.

The directors are of the opinion that disclosure of any further information on likely developments would be prejudicial to the interests of the Parent Entity and the Consolidated Entity.

AFTER BALANCE DATE EVENTS

GoConnect Ltd, a controlled entity, successfully concluded a placement of 5,003,500 ordinary shares to raise new capital of \$500,350 in September 2002 adding to its working capital to finance its business and technology development.

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 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

No options for shares in the Parent Entity have been granted during the financial year and there were no options outstanding at the end of the financial year.

DIRECTORS' REPORT (continued)

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^(d) of the Parent Entity

	Base Salary/Fee (\$)	Superannuation (\$)	Others (\$)	Options granted ^(c) (Number)
Mr. R. Li	179,928 ^(a)	14,394 ^(b)	28,188	500,000
Mr. I.A. Johnston	102,299	8,017	11,330	–

Mr. Li and Mr. Johnston were the only full time directors of the Parent Entity employed by the Consolidated Entity during the financial year. Mr. Li is also the deputy chairman of GoConnect Ltd.

Emoluments of the five most highly paid executive officers^(d) of the Parent Entity and the Consolidated Entity

	Base Salary (\$)	Superannuation (\$)	Others (\$)	Options granted ^(c) (Number)
Dr. W. Wen	139,825	11,186	–	375,000
Mr. P. Barta	124,730	9,978	–	150,000
Mr. D. Tam	109,782	9,068	42,025	–
Mr. E. Li	103,660	8,292	–	150,000
Mr. K. Wong	94,320	7,545	–	75,000

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2002, directors' interests in shares in the Parent Entity were as follows:

	(Number of Ordinary Shares)		
	Fully Paid	Paid to 1 cent	Paid to 0.1 cent
Mr. M.B. Lee	1,000,500	–	–
Mr. R. Li	–	2,800,000	500,000
Mr. I.A. Johnston	99,500	–	–

Notes

- Includes \$35,000 director's base fee and committee fee paid or payable by GoConnect Ltd.
- Includes \$2,800 paid or payable by GoConnect Ltd.
- Options were granted by GoConnect Ltd to acquire shares in GoConnect Ltd.
- The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. Executive officers are those directly accountable and responsible for the operational management and strategic direction of the Parent Entity and the Consolidated Entity.

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

During the financial year, 10 meetings of directors were held. Attendances were:

	<i>Number of meetings attended</i>
Mr. M.B. Lee	10
Mr. R. Li	10
Mr. I.A. Johnston ^	9
Mr. B.L. Mathieson *	2

[^] Mr. Johnston attended all directors' meetings held since his appointment to the Board.

^{*} Mr. Mathieson attended all directors' meetings held prior to his resignation.

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.

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 page 39 of this annual financial report.

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

RICHARD LI

MANAGING DIRECTOR

Dated at Melbourne this 30th day of September 2002

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Revenues from ordinary activities	2	2,417,564	4,658,347	–	150,001
Sharebroking and underwriting expenses		(49,011)	(493,079)	–	–
Virtual Internet Service network operating expense		(1,175,099)	(4,042,860)	–	–
Marketing expense		(123,510)	(580,838)	–	–
Employee benefits expense		(2,736,205)	(2,898,771)	–	–
Depreciation and amortisation expenses	3	(478,694)	(362,855)	–	–
Research and development expense		(75,967)	(284,172)	–	–
Write off of prepayment		–	(5,625,000)	–	–
Provision for diminution in equity investments		–	(18,179,229)	–	–
Other expenses from ordinary activities	3	(1,081,475)	(1,456,059)	(27,072)	(35,607)
Profit (Loss) from ordinary activities before income tax expense		(3,302,397)	(29,264,516)	(27,072)	114,394
Income tax expense relating to ordinary activities	4	–	–	–	–
Net profit (loss)		(3,302,397)	(29,264,516)	(27,072)	114,394
Net loss attributable to outside equity interest		452,053	6,401,944	–	–
Net profit (loss) attributable to members of the Parent Entity	13(d)	(2,850,344)	(22,862,572)	(27,072)	114,394
Net increase (decrease) in asset revaluation reserve	13(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		(2,850,344)	(31,844,920)	(27,072)	114,394
Basic earnings (loss) per share	20	(19.6) cents	(160.0) cents		
Diluted earnings (loss) per share	20	(19.6) cents	(159.2) cents		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
Current assets					
Cash assets	15(b)	951,330	4,055,788	922	3,037
Receivables	6	126,318	372,777	56,245	47,732
Other financial assets	7	1,611	1,804	–	–
Other	9	99,447	641,947	–	–
Total current assets		1,178,706	5,072,316	57,167	50,769
Non-current assets					
Other financial assets	7	3,000,040	3,000,000	7,651,992	7,271,541
Property, plant and equipment	8	963,777	1,381,713	–	–
Total non-current assets		3,963,817	4,381,713	7,651,992	7,271,541
Total assets		5,142,523	9,454,029	7,709,159	7,322,310
Current liabilities					
Payables	10	342,317	629,727	31,593	37,672
Provisions	11	277,765	304,532	–	–
Total current liabilities		620,082	934,259	31,593	37,672
Non-current liabilities					
Provisions	11	20,828	26,608	–	–
Total non-current liabilities		20,828	26,608	–	–
Total liabilities		640,910	960,867	31,593	37,672
Net assets		4,501,613	8,493,162	7,677,566	7,284,638
Equity					
Parent Entity interest					
– Contributed equity	12	11,248,753	10,828,753	11,248,753	10,828,753
– Reserves	13	16,563,918	15,432,137	1,000	1,000
– Accumulated losses	13	(23,816,300)	(19,834,175)	(3,572,187)	(3,545,115)
Total Parent Entity interest in equity		3,996,371	6,426,715	7,677,566	7,284,638
Total outside equity interest	14	505,242	2,066,447	–	–
Total equity		4,501,613	8,493,162	7,677,566	7,284,638

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		1,141,630	348,368	1,189	1,923
Cash payments in the course of operations		(5,077,211)	(8,639,710)	(28,355)	(10,233)
Interest received		112,705	286,943	–	1
Dividends received		–	6	–	–
Net cash (used in) operating activities	<i>15(a)</i>	(3,822,876)	(8,004,393)	(27,166)	(8,309)
Cash flows from investing activities					
Purchase of financial assets		(40)	(79,654)	(40)	–
Proceeds from disposal of financial assets		348,203	683,382	–	–
Purchase of property, plant and equipment		(49,745)	(753,244)	–	–
Proceeds from disposal of property, plant and equipment		–	15,000	–	–
Payment for investment in controlled entities		–	–	(380,410)	(1,500)
Proceeds from disposal of investment in controlled entities		–	–	–	150,000
Repayment of loan from controlled entities		–	–	(6,079)	–
Loan to controlled entities		–	–	(8,420)	(212,000)
Net cash provided by (used in) investing activities		298,418	(134,516)	(394,949)	(63,500)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		420,000	10,569,121	420,000	60,000
Payment of share issue costs		–	(582,771)	–	–
Net cash provided by financing activities		420,000	9,986,350	420,000	60,000
Net increase (decrease) in cash held		(3,104,458)	1,847,441	(2,115)	(11,809)
Add opening cash brought forward		4,055,788	2,208,347	3,037	14,846
Closing cash carried forward	<i>15(b)</i>	951,330	4,055,788	922	3,037

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

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 including 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 Limited (“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 19* 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 items 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 Limited 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 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Cost and valuation

All property, plant and equipment are measured at cost less where applicable, any accumulated depreciation or amortisation.

Depreciation and 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.

	<i>Effective life</i>	<i>Depreciation method</i>
Motor Vehicle	6	Diminishing value
Office and computer equipment	2 ½– 8	Straight line
Furniture and fittings	½– 7	Straight line
Staff Amenities	7	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) 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) 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.

(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 2002

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		\$	\$	\$	\$
NOTE 2 – REVENUES FROM ORDINARY ACTIVITIES					
(a) Revenues from operating activities					
Revenue from services		827,347	282,995	–	–
Proceeds from sale of share investments		348,203	683,382	–	150,000
Dividend income					
– Other corporations		4	6	–	–
		1,175,554	966,383	–	150,000
(b) Revenues from non-operating activities					
Interest income					
– Other corporations		104,703	286,818	–	1
Net profit on disposal of property, plant and equipment		–	4,563	–	–
Gain on reduction of equity interest in a controlled entity	<i>3(c)</i>	–	3,400,529	–	–
Gain on increase in equity interest in a controlled entity due to cancellation of shares in the controlled entity	<i>3(c)</i>	1,131,781	–	–	–
Other		5,526	54	–	–
		1,242,010	3,691,964	–	1
Total revenues from ordinary activities		2,417,564	4,658,347	–	150,001

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	\$	\$	\$	\$
NOTE 3 – EXPENSES AND LOSSES (GAINS)				
(a) Expenses				
Provision for employee entitlements	(32,547)	96,888	–	–
Depreciation of non-current assets	478,694	362,855	–	–
Rental expense relating to operating lease	148,232	122,553	–	–
(b) Losses (Gains)				
Net loss (gain) on disposal of property, plant and equipment	871	(4,563)	–	–
Net loss (gain) on disposal of financial assets	(325,381)	(529,578)	–	–
Net loss (gain) on disposal of investment in a controlled entities	–	–	–	(148,500)
(c) Significant items				
Profit (Loss) from ordinary activities before income tax expense includes the following material revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:				
(i) Gain on increase in equity interest in a controlled entity due to cancellation of shares in the controlled entity	(1,131,781)	–	–	–
(ii) Gain on reducing equity interest in a controlled entity	–	(3,400,529)	–	–
(iii) Write-off of prepayment	–	5,625,000	–	–
(iv) Provision for diminution in equity investments	–	18,179,229	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</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 30 per cent (2001: 34 per cent)	(990,719)	(9,949,935)	(8,122)	38,895
Add (Deduct) of Tax effect				
Gain on reduction of equity interest in a controlled entity	–	(1,156,180)	–	–
Gain on increase in equity interest in a controlled entity due to cancellation of shares in the controlled entity	(339,534)	–	–	–
Non-deductible expenses	607	1,116	–	–
Future income tax benefits not brought to account	1,329,646	11,104,999	8,122	–
Tax losses transferred from controlled entities	–	–	–	(38,895)
Income tax expense (benefit) attributable to operating profit (loss)	–	–	–	–
(b) Future income tax benefits not brought to account comprise:				
Tax losses (2002: 30 per cent; 2001: 30 per cent)	4,718,398	3,378,484	7,987	–
Timing differences (2002: 30 per cent; 2001: 30 per cent)	8,243,094	8,253,361	1,935	1,800
	12,961,492	11,631,845	9,922	1,800

NOTE 5 – DIVIDENDS PAID OR PROPOSED

Dividend franking account

As at 30 June 2002, the Parent Entity's Dividend Franking Account had a balance of \$Nil. (2001: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
NOTE 6 – RECEIVABLES					
Current					
Trade debtors		13,428	22,848	–	–
Other receivables		37,890	349,929	434	340
Amounts other than trade debts receivable from related parties:					
Wholly-owned group					
– controlled entities	21(b)	–	–	55,811	47,392
Directors and director-related entities					
– directors	21(d)	75,000	–	–	–
		126,318	372,777	56,245	47,732

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 receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Details of the terms and conditions of amounts receivables from related parties are set out in *Note 21*.

NOTE 7 – OTHER FINANCIAL ASSETS

Current

Investments in shares listed on a prescribed stock exchange, at cost		1,611	1,846	–	–
Provision for diminution		–	(42)	–	–
		1,611	1,804	–	–

Listed shares are readily salable 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	7(a)	–	–	9,181,574	8,801,164
Provision for diminution		–	–	(4,529,622)	(4,529,623)
		–	–	4,651,952	4,271,541
Investments in associates, at cost	7(b)	40	–	40	–
Investments in unlisted shares:					
(i) At directors' valuation	7(c)	27,161,576	27,161,576	–	–
Provision for diminution		(27,161,576)	(27,161,576)	–	–
		–	–	–	–
(ii) At cost	7(c)	3,000,000	3,000,000	3,000,000	3,000,000
		3,000,040	3,000,000	7,651,992	7,271,541

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

NOTE 7 – OTHER FINANCIAL ASSETS (continued)

Non-current (continued)

(a) Investment in controlled entities

The Parent Entity held a 65.8% (2001: 61.3%) interest in GoConnect Ltd (“GCN”). GCN experienced operating losses and negative operating cash flows during the year ended 30 June 2002. The continuing viability of GCN and its controlled entities (together “the GCN Group”) and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the GCN Group being successful:

- in rebuilding the GoTrek audience via the existing fixed-line Internet market supplemented by the GPRS market,
- in generating advertising and sponsorship sales from existing and future projects,
- in establishing revenue from the Direct Assist technology and other revenue generating activities, and
- in accessing additional capital.

As a result of these matters, there is significant uncertainty whether GCN will continue as a going concern. Directors of GCN are, however, confident that the GCN Group will be successful in the above matters and, accordingly have prepared GCN’s financial report on a going concern basis. At this time, directors of GCN are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2002.

(b) Investment in associates

Pharmasafe Pty Ltd (“Pharmasafe”) was incorporated on 31 January 2002 in Victoria, Australia. The Parent Entity owns 40 per cent interest in Pharmasafe. The principal activities of Pharmasafe are to manufacture, license, market, and distribute Chinese medicines throughout Australia and internationally. Pharmasafe did not earn any income nor did it incur any significant expenses during the financial year.

(c) Investment in unlisted shares

(i) The Consolidated Entity held 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. A full provision of \$27.16 million was made against the Consolidated Entity’s 49.5 per cent interest in China Hotel Holdings Ltd.

(ii) The Consolidated Entity held a 20% (2001: 20%) interest in Multelink Australia Ltd for \$3 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	<i>Note</i>	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		\$	\$	\$	\$
NOTE 8 – PROPERTY, PLANT AND EQUIPMENT					
Office and computer equipment – at cost		1,713,320	1,663,022	–	–
Accumulated depreciation		(944,834)	(518,539)	–	–
	8(a)	768,486	1,144,483	–	–
Motor vehicles – at cost		215,832	215,832	–	–
Accumulated depreciation		(164,925)	(150,145)	–	–
	8(a)	50,907	65,687	–	–
Furniture and fittings – at cost		247,917	242,120	–	–
Accumulated depreciation		(103,933)	(71,058)	–	–
	8(a)	143,984	171,062	–	–
Staff amenities – at cost		1,550	1,487	–	–
Accumulated depreciation		(1,150)	(1,006)	–	–
	8(a)	400	481	–	–
Total written down amount		963,777	1,381,713	–	–

(a) Reconciliation for 2002

	Office & Computer Equipment	Motor Vehicles	Furniture & Fittings	Staff Amenities	Total
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	1,144,483	65,687	171,062	481	1,381,713
– Additions	59,641	–	5,797	63	65,501
– Disposals	(4,743)	–	–	–	(4,743)
– Depreciation expense	(430,895)	(14,780)	(32,875)	(144)	(478,694)
Carrying amount at end of year	768,486	50,907	143,984	400	963,777

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
NOTE 9 – OTHER ASSETS					
Current					
ASIC refundable deposit	24	20,000	20,000	–	–
Prepayments		79,447	621,947	–	–
		99,447	641,947	–	–

NOTE 10 – PAYABLES

Current					
Trade creditors		18,091	16,645	–	–
Other creditors		123,304	129,579	–	–
Withholding tax payable		43,540	68,824	–	–
Accruals		157,382	414,679	–	–
Amounts payable to related parties:					
Wholly-owned group					
– controlled entities	21(b)	–	–	31,593	37,672
		342,317	629,727	31,593	37,672

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.
- (iv) Details of the terms and conditions of amounts payable to related parties are set out in *Note 21*.

NOTE 11 – PROVISIONS

Current					
Employee entitlements		277,765	304,532	–	–
Non-current					
Employee entitlements		20,828	26,608	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
NOTE 12 – CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Fully paid ordinary shares	11,220,253	10,800,253	11,220,253	10,800,253
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
	11,248,753	10,828,753	11,248,753	10,828,753
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</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	14,300,505	14,120,505	10,800,253	10,665,253
Issued during the year:				
– Private placement	600,000	–	420,000	–
– Exercise of share options	–	180,000	–	135,000
Balance at the end of the financial year	14,900,505	14,300,505	11,220,253	10,800,253
(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 (2001: nil) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Details of terms and conditions attached to fully paid and partly paid ordinary shares are contained in the ASX Additional Information section on pages 37 to 38.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
NOTE 13 – RESERVES AND RETAINED PROFITS (ACCUMULATED LOSSES)					
General reserve	13(a)	16,561,505	15,429,724	–	–
Asset revaluation reserve	13(b)	–	–	–	–
Forfeited shares reserve	13(c)	2,413	2,413	1,000	1,000
		16,563,918	15,432,137	1,000	1,000
Accumulated losses	13(d)	(23,816,300)	(19,834,175)	(3,572,187)	(3,545,115)

(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	15,429,724	12,029,195	–	–
Transfer from retained profits	1,131,781	3,400,529	–	–
Balance at the end of the financial year	16,561,505	15,429,724	–	–

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

(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 2002

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	\$	\$	\$	\$

NOTE 13 – RESERVES AND RETAINED PROFITS (ACCUMULATED LOSSES) (continued)

(d) Retained profits (Accumulated losses)

Balance at the beginning of the financial year	(19,834,175)	6,428,926	(3,545,115)	(3,659,509)
Net profit (loss) attributable to members of the Parent Entity	(2,850,344)	(22,862,572)	(27,072)	114,394
Total available for appropriation	(22,684,519)	(16,433,646)	(3,572,187)	(3,545,115)
Aggregate of amounts transferred to the general reserve	(1,131,781)	(3,400,529)	–	–
Balance at the end of the financial year	(23,816,300)	(19,834,175)	(3,572,187)	(3,545,115)

NOTE 14 – OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities

– Share capital	8,353,424	9,462,576	–	–
– Retained profits (Accumulated losses)	(7,848,182)	(7,396,129)	–	–
	505,242	2,066,447	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

	<i>Consolidated Entity</i>		<i>Parent Entity</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	\$	\$	\$	\$
NOTE 15 – NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of cash flows from operations with operating profit (loss) after income tax				
Operating profit (loss) after income tax	(3,302,397)	(29,264,516)	(27,072)	114,394
Non-cash flows in operating profit (loss):				
Net (profit) loss on disposal of financial assets	(325,381)	(529,578)	–	–
Net (profit) loss on disposal of property, plant and equipment	457	(4,563)	–	–
Depreciation of non-current assets	478,694	362,855	–	–
Gain on cancellation of share in a controlled entity	(1,131,781)	–	–	–
Provision for diminution in financial assets	–	18,179,177	–	–
Gain on reduction of equity interest in a controlled entity	–	(3,400,529)	–	–
Write-off of expired unlisted options	–	1,180	–	–
Net (profit) loss on disposal of investments in controlled entities	–	–	–	(148,500)
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:				
(Increase) Decrease in receivables	234,988	(217,114)	(94)	25,997
(Increase) Decrease in prepayments	542,500	6,637,038	–	–
(Increase) Decrease in plant and equipment	–	1,578	–	–
Increase (Decrease) in payables and accruals	(262,125)	64,367	–	(200)
Increase (Decrease) in provision for employee entitlement	(32,547)	96,888	–	–
Increase (Decrease) in withholding tax payable	(25,284)	68,824	–	–
Net cash (used in) operating activities	(3,822,876)	(8,004,393)	(27,166)	(8,309)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
\$	\$	\$	\$

NOTE 15 – NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of cash

Cash balance comprises:

– Cash at bank	301,330	1,055,788	922	3,037
– Deposits at call	650,000	3,000,000	–	–
	951,330	4,055,788	922	3,037

(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 16 – 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	32,000	6,450	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	67,285	44,000	–	–
– other services in relation to the controlled entities	–	53,819	–	–
	67,285	97,819	–	–
	99,285	129,819	6,450	6,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
\$	\$	\$	\$

NOTE 17 – DIRECTORS’ AND EXECUTIVES’ REMUNERATION

(a) Remuneration of directors

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.

707,676	684,649
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The aggregate of the income paid or payable in respect of the financial year to all directors of the Parent Entity, directly or indirectly, by the Parent Entity or by any related party.

344,155	220,195
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Number of directors of the Parent Entity whose total income paid or payable in respect of the financial year, directly or indirectly, by the Parent Entity or by any related party, fell within the following bands was:

	<i>No.</i>	<i>No.</i>
\$0 – \$9,999	1	2
\$120,000 – \$129,999	1	–
\$220,000 – \$229,999	1	1

(b) Remuneration of executives

Remuneration received or due and receivable by executive officers (executive directors’ remuneration are included in *Note 17(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

499,538	616,646
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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	1	–	–
\$110,000 – \$119,999	1	2	–	–
\$130,000 – \$139,999	1	1	–	–
\$140,000 – \$149,000	–	1	–	–
\$150,000 – \$159,999	1	–	–	–

(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 2002

NOTE 18 – SEGMENT INFORMATION

(a) Primary Segment – Business segment

	<i>Investment Banking</i>		<i>Equity Investments</i>		<i>Internet Media</i>		<i>Elimination</i>		<i>Consolidated Entity</i>	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Operating revenue derived from										
external customers	122,381	158,482	–	–	704,967	124,513	–	–	827,348	282,995
Other revenue	19,584	432,015	339,257	270,060	99,595	272,748	–	–	458,436	974,823
Inter-segment revenue	1,875	710,230	–	–	–	–	(1,875)	(710,230)		
Total segment revenue	143,840	1,300,727	339,257	270,060	804,562	397,261	(1,875)	(710,230)		
Unallocated revenue									1,131,780	3,400,529
Total revenue									2,417,564	4,658,347
Results										
Segment result	(837,859)	(476,210)	269,431	(17,954,642)	(3,857,954)	(13,514,722)	–	(709,432)	(4,426,382)	(32,655,006)
Unallocated expenses									(7,795)	(10,039)
Unallocated revenue									1,131,780	3,400,529
Net loss									(3,302,397)	(29,264,516)
Assets										
Segment assets	379,954	414,367	3,002,832	3,005,261	1,759,045	6,033,514	–	–	5,141,831	9,453,142
Unallocated assets									692	887
Total assets									5,142,523	9,454,029
Liabilities										
Segment liabilities	371,886	270,071	–	–	276,759	691,422	(7,735)	(626)	640,910	960,867
Unallocated liabilities									–	–
Total liabilities									640,910	960,867
Other segment information										
Acquisition of property, plant and equipment and other non-current assets	211	30,720	–	–	61,418	626,926	–	–	61,629	657,646
Depreciation	29,645	35,312	–	–	449,049	327,543	–	–	478,694	362,855
Non-cash expenses other than depreciation and amortisation	37,963	204,021	193	18,183,110	(45,635)	5,704,884	–	–	(7,479)	24,092,015

Segment information for the prior year ended 30 June 2001 is reclassified to reflect changes in the basis for identifying segments and changes in the basis for allocating revenues and expenses to segments for the year ended 30 June 2002.

(b) Secondary Segment – Geographical segment

The Consolidated Entity operates predominantly in Australia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

NOTE 19 – CONTROLLED ENTITIES

	<i>Country of Incorporation</i>	<i>Percentage owned</i>	
		<i>2002</i>	<i>2001</i>
		<i>%</i>	<i>%</i>
Parent Entity:			
Sino Securities International Limited	Australia	–	–
Controlled entities of Sino Securities International Limited:			
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	65.8	61.3
Sino Finance Portal Pty Ltd	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	Hong Kong	–	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
Leisureline Holdings Ltd	British Virgin Islands	100.0	100.0

The accounts of the following controlled entities have not been audited: Sino Investments Pty Ltd, SSI Nominees Pty Ltd, Sino Asset Management Pty Ltd, Sino Finance Portal Pty Ltd, Sino Dalian Economic Development Corporation Pty Ltd, Sino GL Pty Ltd, Sino Resources Pty Ltd, SSI China Resources Pty Ltd and Leisureline Holdings Ltd.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

Consolidated Entity
2002 2001

NOTE 20 – 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)	(3,302,397)	(29,264,516)
Net loss (profit) attributable to outside equity interest	<u>452,053</u>	<u>6,401,944</u>
Earnings (Loss) used in the calculation of basic earnings (loss) per share	(2,850,344)	(22,862,572)
<i>Add:</i>		
Imputed earnings after income tax on funds receivable on exercise of options issued	<u>–</u>	<u>–</u>
Earnings (Loss) used in the calculation of diluted earnings (loss) per share	<u>(2,850,344)</u>	<u>(22,862,572)</u>

Number of Number of
shares 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	14,519,322	14,288,418
<i>Effect of dilutive securities:</i>		
Weighted average number of potential ordinary shares relating to share options issued	<u>–</u>	<u>68,712</u>
Weighted average number of potential ordinary shares used in the calculation of diluted earnings (loss) per share	<u>14,519,322</u>	<u>14,357,130</u>

(c) Conversions, calls, subscriptions or issues after 30 June 2002

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 2002

NOTE 21 – RELATED PARTY DISCLOSURES

(a) Directors

The directors of the Parent Entity, Sino Securities International Limited, during the financial year were Mr. Man Ban Lee, Mr. Richard Li, Mr. Ian Johnston, Ms. Katherine Cheng (alternate director for Mr. M. B. Lee) and Mr. Bruce Mathieson (resigned on 7 September 2001).

(b) Wholly-owned group transactions

- (i) Loans receivable by Sino Securities International Limited from wholly owned subsidiaries are interest free loans with no fixed repayment dates.
- (ii) Loans payable by Sino Securities International Limited to wholly owned subsidiaries are interest free loans with no fixed repayment dates.

(c) Other related party transactions

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.

(d) Director transactions

Loans

Sino Investment Services Pty Ltd, a controlled entity, provided a loan of \$75,000 in November 2000 to Mr. I.A. Johnston as an employee loan, repayable by 31 December 2003 at a 5% rate of interest.

(e) Director-related entity transactions

Mr. Jaginder Singh Pasricha, a director of GoConnect Ltd, is a partner of Pasricha Partners which 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 \$89,923 of which \$12,672 was outstanding as at 30 June 2002.

<i>Consolidated Entity</i>		<i>Parent Entity</i>	
<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
\$	\$	\$	\$

NOTE 22 – EXPENDITURE COMMITMENTS

(a) Operating lease commitments

– not later than 1 year	85,126	118,150	–	–
– later than 1 year but not later than 2 years	–	85,126	–	–
	85,126	203,276	–	–

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

(b) Other commitments

– not later than 1 year	29,887	51,250	–	–
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NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

NOTE 23 – 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			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<i>Financial assets:</i>																
Cash and bank deposit	301,330	1,055,788	-	-	-	-	-	-	-	-	-	-	301,330	1,055,788	3.21	4.09
Term deposit	-	-	650,000	3,000,000	-	-	-	-	-	-	-	-	650,000	3,000,000	4.42	4.71
Trade and other receivables	-	-	20,000	20,000	-	-	-	-	126,318	372,777	-	-	146,318	392,777	4.20	5.50
Listed shares	-	-	-	-	-	-	-	-	1,611	1,804	-	-	1,611	1,804	N/A	N/A
Unlisted shares	-	-	-	-	-	-	-	-	3,000,040	3,000,000	-	-	3,000,040	3,000,000	N/A	N/A
Total financial assets	301,330	1,055,788	670,000	3,020,000	-	-	-	-	3,127,969	3,374,581	-	-	4,099,299	7,450,369		
<i>Financial liabilities:</i>																
Trade and other creditors	-	-	-	-	-	-	-	-	184,935	215,048	-	-	184,935	215,048	N/A	N/A
Accruals	-	-	-	-	-	-	-	-	157,382	414,679	-	-	157,382	414,679	N/A	N/A
Provision	-	-	-	-	-	-	-	-	298,593	331,140	-	-	298,593	331,140	N/A	N/A
Total financial liabilities	-	-	-	-	-	-	-	-	640,910	960,867	-	-	640,910	960,867		
Net financial assets	301,330	1,055,788	670,000	3,020,000	-	-	-	-	2,487,059	2,413,714	-	-	3,458,389	6,489,502		

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2002

NOTE 23 – FINANCIAL INSTRUMENTS (continued)

(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 Statement 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 24 – 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 contingencies as at 30 June 2002.

NOTE 25 – EVENTS SUBSEQUENT TO BALANCE DATE

GoConnect Ltd, a controlled entity, successfully concluded a placement of 5,003,500 ordinary shares to raise new capital of \$500,350 in September 2002 adding to its working capital to finance its business and technology development.

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

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

In the opinion of the directors:

- (1) the financial statements and notes of the Parent Entity and of the Consolidated Entity, as set out on pages 11 to 34, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Parent Entity's and Consolidated Entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (b) complying with Accounting Standards and Corporations Regulations 2001; and
- (2) 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 30th day of September 2002

INDEPENDENT AUDIT REPORT

To the Member of Sino Securities International Limited

SCOPE

We have audited the financial report of Sino Securities International Limited and controlled entities for the financial year ended 30 June 2002 as set out on pages 11 to 35.

The financial report includes the consolidated financial statements of the Consolidated Entity comprising Sino Securities International Limited 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.

We have not audited the entities as per *Note 19* to the financial report. 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 Limited 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 2002 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 30th day of September 2002

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is set out below. The information of Sino Securities International Limited set out below was applicable as at 17 September 2002.

DISTRIBUTION OF EQUITY SECURITIES

The number 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>
	<i>No. of holders</i>	<i>No. of shares</i>	<i>No. of holders</i>	<i>No. of holders</i>
1 - 1,000	351	211,815	–	–
1,001 - 5,000	308	817,805	–	–
5,001 - 10,000	83	663,660	–	–
10,001 - 100,000	121	3,221,206	–	–
100,001 and over	24	9,986,019	1	1
	887	14,900,505	1	1
The number of shareholders holding less than a marketable parcel of shares:	226	86,911	–	–

Eighteen Pty Ltd holds 100 per cent of the 2,800,000 partly paid shares paid to 1 cent and 100 per cent of the 500,000 partly paid shares paid to 0.1 cent.

TOP 20 SHAREHOLDERS

The names of the top 20 shareholders of quoted ordinary shares:

<i>Name</i>	<i>Quoted ordinary shares</i>	
	<i>Number of ordinary shares</i>	<i>Percentage of ordinary shares</i>
1 Investment Holdings Pty Ltd	1,167,400	7.83%
2 BLM Holdings Pty Ltd	1,000,000	6.71%
3 Mannab Holdings Inc	1,000,000	6.71%
4 SSI Nominees Pty Ltd	948,791	6.37%
5 ANZ Nominees Pty Ltd	750,300	5.04%
6 Tower Trust Limited	618,819	4.15%
7 Mr. Hugo Frijlink (Frijlink Super Fund Account)	573,830	3.85%
8 Royaldawn Pty Ltd (Your Coll Aust Emp Inc A/C)	530,736	3.56%
9 Zebrahill Pty Ltd	500,000	3.36%
10 Partners Investments Limited	495,535	3.33%
11 Bellwether Offshore Services Ltd	397,880	2.67%
12 Mr. Christopher John Stevenson	240,000	1.61%
13 Royaldawn Pty Limited	230,000	1.54%
14 Grocon Pty Ltd	201,000	1.35%
15 HSBC Custody Nominees (Australia) Limited	193,200	1.30%
16 J Serry Pty Ltd (J Serry P/L Superfund A/C)	163,000	1.09%
17 Krysmont Pty Ltd (The Jamieson Unit A/C)	160,000	1.07%
18 Mr. Charles Anthony Edwards & Mrs. Ursula Frances Edwards & Mr. Raymund Charles Edwards	152,286	1.02%
19 VRV Pty Ltd	124,000	0.83%
20 Bourse Securities Pty Ltd	113,057	0.76%
	9,559,834	64.15%

ASX ADDITIONAL INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS

The number of ordinary shares held by substantial shareholders:

<i>Shareholder</i>	<i>(Number of Ordinary Shares)</i>		
	<i>Fully Paid</i>	<i>Partly Paid, paid to \$0.01</i>	<i>Partly Paid, paid to \$0.001</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 SHARES

The 2,800,000 partly paid shares paid to 1 cent and the 500,000 partly paid shares 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 Limited are quoted on the Australian Stock Exchange ("ASX") under ASX code "SSI", with Melbourne being the home exchange and on the German Stock Exchange 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

BOARD OF DIRECTORS

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 re-irement 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.

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.