

**SINO SECURITIES INTERNATIONAL LIMITED**  
**(ABN 99 006 620 739)**

**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**

Please note the following information required under ASX Listing Rule 4.3A.

1. Current reporting period                    30 June 2005  
    Previous corresponding period        30 June 2004

**2. Results for announcement to the market**

	Compared with the previous corresponding period			
2.1 Revenues from ordinary activities	DOWN	44%	to	1,012,520
2.2 Loss from ordinary activities after tax attributable to members	DOWN	67%	to	(899,001)
2.3 Net loss for the period attributable to members	DOWN	67%	to	(899,001)
2.4 No dividends is proposed or paid during the reporting period and the previous corresponding period.				
2.5 Not applicable				
2.6 For explanation relating to item 2.1, 2.2 and 2.3 please see <b>item 14</b>				

### 3. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Revenues from ordinary activities</b>	3.1	<b>1,012,520</b>	1,815,997
Sharebroking and underwriting expenses		<b>(55,091)</b>	(51,710)
Virtual Internet Service network operating expense		<b>(203,174)</b>	(295,117)
Marketing expense		<b>(37,007)</b>	(38,601)
Employee benefits expense		<b>(1,985,444)</b>	(2,044,096)
Depreciation and amortisation expenses	3.2	<b>(115,142)</b>	(326,852)
Research and development expense		<b>(3,382)</b>	(4,995)
Provision for diminution in equity investments	3.2	<b>(1,611)</b>	(2,913,000)
Other expenses from ordinary activities	3.2	<b>(798,018)</b>	(720,043)
Share of net losses of associates accounted for using the equity method	4.3	<b>1,601</b>	(5,896)
<b>Profit (Loss) from ordinary activities before income tax expense</b>		<b>(2,184,748)</b>	(4,584,313)
Income tax expense relating to ordinary activities	3.3	–	–
<b>Net profit (loss)</b>		<b>(2,184,748)</b>	(4,584,313)
Net loss attributable to outside equity interest		<b>1,285,747</b>	1,868,753
<b>Net profit (loss) attributable to members of the Parent Entity</b>		<b>(899,001)</b>	(2,715,560)
<b>Total revenues, expenses and valuation adjustments attributable to members of the Parent Entity and recognised directly in equity</b>		<b>–</b>	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(899,001)</b>	(2,715,560)
<b>Basic earnings (loss) per share</b>	3.4	<b>(6.0) cents</b>	(18.2) cents
<b>Diluted earnings (loss) per share</b>	3.4	<b>(6.0) cents</b>	(18.2) cents

The accompanying notes form part of these financial statements.

#### 4. STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Current assets</b>			
Cash assets		38,588	506,188
Receivables	4.1	124,308	636,477
Other financial assets	4.2	162,000	163,611
Other	4.5	34,978	44,498
<b>Total current assets</b>		<b>359,874</b>	1,350,774
<b>Non-current assets</b>			
Investments accounted for using the equity method	4.3	1,823	222
Property, plant and equipment	4.4	88,899	198,753
<b>Total non-current assets</b>		<b>90,722</b>	198,975
<b>Total assets</b>		<b>450,596</b>	1,549,749
<b>Current liabilities</b>			
Payables	4.6	1,100,512	912,283
Provisions	4.7	396,085	351,968
<b>Total current liabilities</b>		<b>1,496,597</b>	1,264,251
<b>Non-current liabilities</b>			
Provisions	4.7	117	7,029
<b>Total non-current liabilities</b>		<b>117</b>	7,029
<b>Total liabilities</b>		<b>1,496,714</b>	1,271,280
<b>Net assets (Deficiency)</b>		<b>(1,046,118)</b>	278,469
<b>Equity</b>			
Parent Entity interest			
– Contributed equity	4.8	11,248,753	11,248,753
– Reserves	4.9	16,643,873	16,643,873
– Accumulated losses	4.9	(28,558,314)	(27,659,313)
Total Parent Entity interest in equity		(665,688)	233,313
Total outside equity interest		(380,430)	45,156
<b>Total equity (Deficiency)</b>		<b>(1,046,118)</b>	278,469

The accompanying notes form part of these financial statements.

## 5. STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,139,097	995,173
Cash payments in the course of operations		(2,837,110)	(2,995,623)
Interest received		8,430	2,945
Interest paid		–	(6,573)
<b>Net cash (used in) operating activities</b>	5.1	<b>(1,689,583)</b>	<b>(2,004,078)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of financial assets		79,004	962,836
Purchase of property, plant and equipment		(5,288)	(3,709)
Payment for financial assets		(100,884)	(162,091)
<b>Net cash provided by (used in) investing activities</b>		<b>(27,168)</b>	<b>797,036</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		1,313,080	1,608,451
Proceeds from borrowings		6,071	70,000
Repayment of borrowings		(70,000)	(35,000)
<b>Net cash provided by financing activities</b>		<b>1,249,151</b>	<b>1,643,451</b>
Net increase (decrease) in cash held		<b>(467,600)</b>	436,409
Add opening cash brought forward		<b>506,188</b>	69,779
Closing cash carried forward	5.2	<b>38,588</b>	506,188

The accompanying notes form part of these financial statements.

**6. Details of individual and total dividends**

The directors do not recommend the declaration of a dividend for the year ended 30 June 2005.

**7. Details of Dividend or distribution reinvestment plans**

Not applicable.

**8. Statement of retained earnings**

Please refer to *Note 4.9(c)* of the accompanying Attachment

	<b>Full year ended</b>	
	<b>30 Jun 05</b>	<b>30 Jun 04</b>
<b>9. Net tangible asset per security</b>	<b>(3.7) cents</b>	1.6 cents

**10. Details of entities over which control was gained / lost during the year**

10.1	Name of the entity	N/A	
10.2	The date of loss of control		
10.3	Contribution of the entity to the consolidated entity's results from ordinary activities during the current period		
	Profit (Loss) of the entity during the whole of the previous corresponding period		

**11. Details of associates and joint venture entities**

11.1	Name of the associate or joint venture entity	Refer to <i>Note 4.3</i> of the accompanying Attachment.	
11.2	Details of the consolidated entity's percentage holding in the entity	<b>Current period \$A'000</b>	<b>Previous corresponding period - \$A'000</b>
11.3	Aggregate share of profits (losses) of the entity		
	- Details of contribution to net profit		

## 12. Any other significant information

Please refer to *Item 14* of this Appendix.

## 13. Foreign companies

Not Applicable.

## 14. Commentary on the results for the period

14.1 *The earnings per security and the nature of any dilution aspects.* – Refer to Note 3.4 of the accompanying Attachment.

14.2 *Returns to shareholders including distributions and buy backs.* – N/A

14.3 *Significant features of operating performance.*

### Basis of Accounts Preparation

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs in accordance with applicable Accounting Standards. The accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report, unless otherwise stated.

### Review of Operations

For the financial year ended 30 June 2005, consolidated revenue from ordinary activities from Sino Securities International Ltd (“SSI”) and its controlled entities (together “the Consolidated Entity”) declined by 44 per cent to \$1,012,520 from \$1,815,997 of the previous corresponding year. Consolidated net loss attributable to shareholders decreased by 67 per cent to \$899,001 as opposed to a loss of \$2,715,560 from the previous year.

In August 2005, SSI issued 2.2 million new fully paid ordinary shares at \$3.50 per share to professional and institutional investors, which raised \$7.7 million working capital. If this additional capital were incorporated in the Consolidated Entity’s Statement of Financial Position as at 30 June 2005, the net intangible asset backing of the Consolidated Entity would be improved from (3.7) cents to 32.6 cents. Further if the Consolidated Entity’s investment in GCN were not consolidated but included as an investment valued at the closing market price as at 30 June 2005, the net tangible asset backing would be improved from (3.7) cents to 132.6 cents.

The operating results have incorporated the financial results of the Consolidated Entity’s 52 per cent interest in GoConnect Ltd (“GCN”), for the year ended 30 June 2005. However, if GCN’s results were not consolidated into the Consolidated Entity’s results, the Consolidated Entity’s net loss for the year would be reduced from \$1,012,520 to \$496,427, compared with a net loss of \$2,715,659 of the previous corresponding year.

### GoConnect Ltd (“GCN”)

During the period under review, GCN’s operating loss was attributable to continuing research and development of the GoTrek technology, development in relation to m-Vision, the wireless derivative of GoTrek for mobile phones, development cost in relation to mobile8888 mobile gaming application, expenses in securing and aggregation of video programs, and the establishment of additional international distribution channels for all of GCN’s technologies and products. GCN continued to focus on its multiple revenue based global media strategy. The 10.4 per cent improvement in GCN’s operating loss compared to the previous corresponding period was attributed to the reduction in network operating costs consequent to the decline in subscribers to the narrowband ISP service, reductions to employee costs, and lower depreciation and amortization charges.

#### 14.3 Significant features of operating performance. (continued)

The fall in subscription revenue from the ISP service during the reporting period reflected the shift in the Internet market from dial-up connections to broadband. This negative trend is expected to be reversed with the introduction of the ADSL broadband service. GCN's research indicates that broadband Internet penetration in Australia is still at a low rate and currently stands at 19 per cent of Australian households. The recent growth is expected to more than double over the next 12 months, providing significant business and revenue opportunities to broadband providers.

The combination of new media subscription products launched in 2004 including two Naked News programs, and ABC News and Current Affairs, with, Direct Assist for Windows Mobile and Java mobile handsets, has resulted in GCN extending its business development focus to marketing of these products on a global basis.

In December 2004, GCN entered into a marketing and distribution agreement with Times Internet Ltd, a wholly owned subsidiary of the largest media group in India, The Times Group, to promote and expand GCN's m-Vision mobile video services to the Indian market. The Times Group is widely recognised by its flagship national daily, The Times Of India, with a readership of more than five million. Its online portal [www.indiatimes.com](http://www.indiatimes.com) is the largest media portal in India with over 30 million monthly unique visitors. The Times Group dominates mobile media in India with its "8888" mobile SMS content service with 75 per cent national market share. The media properties of The Times Group will be regularly promoting various m-Vision subscription services. A new channel, branded as Bollywoodzone TV, has been added to m-Vision. It will distribute video content including Bollywood movie clips, interview with Bollywood movie stars, music videos, and news including sports and business news. Bollywoodzone TV content will comprise a mix of English and Hindi language content targeted at both the domestic as well as expatriate Indian communities. Working closely with The Times Group, which already dominates mobile media in India, GCN's m-Vision has the potential to become the dominant mobile video platform in India. Having established a close working relationship with the Times Group over the past 8 months, GCN is now at the final stage of negotiation with the Times Group regarding the adoption and marketing of the patented GoTrek IPTV technology to the Indian market. A breakthrough in expanding GoTrek IPTV to India is expected to increase GCN's GoTrek subscriber base significantly.

During the period under review GCN completed the first stage of development of its mobile gaming software technology, Mobile8888. This technology is applicable to any number based games including lotto, keno, horse racing, and sports betting. Agreements were reached in May and June with Horizon Investment Group Limited and its related companies, involved in distributing Keno and lotto games in the City of Shanghai, for the licensing of the Mobile8888 technology, and GoTrek and m-Vision technologies to develop their gaming business in return for a share of the revenue gained. Discussions with other major gaming operators for the adoption of Mobile8888 in Australia are in progress.

During this period, GCN made significant inroads into the business of advertising sales representation and can now lay claim to be the biggest online advertising sales representative company in Australia for the gay community with clients including [gaydar.com.au](http://gaydar.com.au), [lotl.com](http://lotl.com), [guidetogay.com](http://guidetogay.com), [sxnews.com](http://sxnews.com), [mcv.com.au](http://mcv.com.au), and JoyFM. Additional sales resources will be added to this division in the coming 12 months.

In July 2005, with NineMSN as the media partner for the promotion, GCN completed the second series of TheBestMix online music competition, branded as Soundcheck Music Competition, and culminating in a finalists' concert held at the National Theatre in Melbourne, The Soundcheck Showcase, with 20 finalists performing in front of a large live audience and judges from the music industry. The success of the Showcase again demonstrates to aspiring talents that TheBestMix is a compelling platform for their discovery. These talents were able to gain exposure to an international online audience and professionals in the music industry. Invaluable experience gained from the first two series, as well as the securing of NineMSN as the media partner for the second series, will assist in further expanding the interest and value of TheBestMix. The second series of TheBestMix generated a small profit for the partners. The success of Soundcheck Music Competition has led GCN and its TheBestMix partner, MAMP Productions Pty Ltd, to launch the SoundcheckNow online music billboard to provide aspiring artists a permanent virtual stage for showcasing their talents to their peers and professionals around the world.

#### **14.3 Significant features of operating performance. (continued)**

In August 2005, GCN entered into an agreement with Pharmasafe Pty Ltd (“Pharmasafe”) to develop and manage the Pharmasafe Internet site located at [www.pharmasafe.com.au](http://www.pharmasafe.com.au) and to act as exclusive Internet distribution agent for Pharmasafe products in return for a revenue share on sales. The first product to be distributed via the Pharmasafe website will be Liver Bioguard, a Chinese herbal remedy developed by Professor TC Lin of Melbourne, from over 20 years of practical application. Liver Bioguard helps to restore the human liver, affected by viral infections such as Hepatitis B and C, and chemicals, to normal conditions. An estimated 520 million people worldwide are infected by viruses such as Hepatitis B or C. The agreement with Pharmasafe demonstrates how GCN is able to capitalise on its capability to generate additional income for the group.

GCN is firmly focused on marketing its portfolio of media products and ADSL broadband to lift operational revenue. Continuing efforts are made in establishing the GoTrek and m-Vision platforms, and the mobile gaming technology in the international market. In particular, now that distribution infrastructure is in place in India via GCN’s partnership with the Times Group, management attention will also be devoted to the large market of China. With the explosive growth of the mobile phone industry in both India and China, the timing is right for GCN’s media and other mobile technologies to penetrate these major markets. Indications received to-date of the acceptance of our technologies in China is very encouraging

##### **Pharmasafe Pty Ltd (“Pharmasafe”)**

Established in January 2002 together with Professor TC Lin, Pharmasafe has spent the past 3 and a half years focusing on securing approval from the Australian Therapeutic Goods Administration (“TGA”) for a herbal remedy developed by Professor Lin, Liver Bioguard, for sale as a listed product. Approval from the TGA was finally obtained in August 2005.

Pharmasafe entered into an agreement with GCN in August 2005 for GCN to develop and maintain the Pharmasafe website located at [www.pharmasafe.com.au](http://www.pharmasafe.com.au), and for GCN to act as exclusive online distribution agent for Pharmasafe’s products with the first product being Liver Bioguard. Additional products for distribution by Pharmasafe will be secured from professor Lin’s portfolio of existing TGA approved products.

##### **Sino Investment Services Pty Ltd (“SIS”)**

SIS revenue improved by 93.9 per cent to 185,656 for the year ended 30 June 2005 compared to the previous corresponding year due to a better performance in the overall share market and additional corporate activities. Securities brokerage income improved by 75 per cent in June 2005 compared to the average of the 12 months ended 30 June 2005 and the improvement had continued in the months of July and August 2005. The ASX’s performance is expected to remain buoyant for the balance of the current financial year and accordingly, the improving trend in our financial services income can be expected to continue.

##### **China Entertainment Holdings Ltd (“CEH”)**

On 14 May 2005, SSI entered into an agreement with Best Winning Investment Ltd (“Best Winning”) to merge the Consolidated Entity with the business of Best Winning’s wholly owned subsidiary, CEH, by way of issue of shares by SSI to Best Winning. A shareholder meeting will be held in October 2005 to seek shareholders’ approval of the merger with CEH.

CEH has secured a number of lotto and keno permits in the City of Shanghai acting as agent for sale of lotto and keno games. CEH will become the Consolidated Entity’s vehicle for conducting gaming businesses in the People’s Republic of China. Once a successful business model has been established for CEH in Shanghai, CEH will look to expansion of its business to other gaming activities as the Chinese gaming industry evolves. CEH is also drawing up plans for nationwide expansion of its activities.

## 14.4 Segment Information

### (a) Primary Segment – Business segment

	Financial Services		Equity Investments		Internet Media		Elimination		Consolidated Entity	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Operating revenue derived from external customers	185,656	95,764	–	–	427,443	496,304	–	–	613,099	592,068
Other revenue	53,225	89,364	92,721	853,385	255,076	281,180	–	–	401,022	1,223,929
Inter-segment revenue	40,563	28,859	17,077	41,748	–	–	(57,640)	(70,607)		
Total segment revenue	279,444	213,987	109,798	895,133	682,519	777,484	(57,640)	(70,607)		
Unallocated revenue									–	–
Total revenue									1,014,121	1,815,997
<b>Results</b>										
Segment result	(463,585)	(636,787)	(32,417)	(2,078,471)	(1,647,759)	(1,839,796)	(40,563)	(28,859)	(2,184,324)	(4,583,913)
Unallocated expenses									(424)	(400)
Unallocated revenue									–	–
Net loss									(2,184,748)	(4,584,313)
<b>Assets</b>										
Segment assets	309,729	339,479	34,862	1,254	105,985	1,208,996	–	–	450,576	1,549,729
Unallocated assets									20	20
Total assets									450,596	1,549,749
<b>Liabilities</b>										
Segment liabilities	755,120	590,338	49,424	112,294	692,170	568,648	–	–	1,496,714	1,271,280
Unallocated liabilities									–	–
Total liabilities									1,496,714	1,271,280
<b>Other segment information</b>										
Acquisition of property, plant and equipment and other non-current assets	–	65	–	–	5,288	2,085	–	–	5,288	2,150
Depreciation	10,902	15,711	–	–	104,240	311,141	–	–	115,142	326,852
Non-cash expenses other than depreciation and amortisation	25,743	14,802	–	2,913,000	13,073	(2,861)	–	–	38,816	2,924,941

Segment information for the prior year ended 30 June 2004 was 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 2005.

**14.5** *A discussion of trends in performance.* – **Refer to 14.3 of this Appendix 4E.**

**14.6** *Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.* – **Refer to Item 14.3 of this Appendix 4E.**

**15. Statement in relation to the accounts which are in the process of being audited**

The information included within this report is in the process of being audited by the external auditors.

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Richard Li  
Managing Director

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13 September 2005  
Date

**Notes to the Financial Statements**

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Note 3.1 – Revenues from Ordinary Activities</b>			
<b>(a) Revenues from operating activities</b>			
Financial services revenue		185,656	95,764
Paid ISP subscriptions revenue		291,660	441,739
Media subscriptions revenue		78,693	36,597
Advertising revenue		55,795	17,969
R & D tax offset rebate		246,033	239,207
Export market development grant		–	39,899
Other revenue		1,481	88
Proceeds on disposal of share investments		92,721	937,042
		<u>952,039</u>	<u>1,808,305</u>
<b>(b) Revenues from non-operating activities</b>			
Interest income			
– Other corporations		8,430	2,945
Other		52,051	4,747
		<u>60,481</u>	<u>7,692</u>
<b>Total revenues from ordinary activities</b>		<u>1,012,520</u>	<u>1,815,997</u>

**Notes to the Financial Statements** (continued)

	<b>Note</b>	<b>30 Jun 05</b> \$	<b>30 Jun 04</b> \$
<b>Note 3.2 – Expenses and Losses (Gains)</b>			
<b>(a) Expenses</b>			
Provision for employee entitlements		<b>37,205</b>	5,521
Depreciation of non-current assets		<b>115,142</b>	326,852
Rental expense relating to operating lease		<b>132,468</b>	129,846
<b>(b) Losses (Gains)</b>			
Net loss (gain) on disposal of financial assets		<b>(28,406)</b>	(830,672)
<b>(c) Significant items</b>			
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) Provision for diminution in share investments		<b>1,611</b>	2,913,000

**Notes to the Financial Statements** (continued)

	<b>Note</b>	<b>30 Jun 05</b> \$	<b>30 Jun 04</b> \$
<b>Note 3.3 – Income Tax Expense</b>			
<b>(a) The prima facie tax (credit) on profit (loss) from ordinary activities before income tax is reconciled to the income tax (credit) as follows:</b>			
Prima facie tax payable (credit provided) on profit (loss) from ordinary activities before income tax at 30 per cent		<b>(655,424)</b>	(1,375,294)
<b>Tax effect of Permanent Differences</b>			
Share of net (profits) losses of associates		<b>(480)</b>	1,769
Non-assessable income		–	(34,981)
Non-deductible expenses		<b>1,026</b>	2,361
Future income tax benefits not brought to account		<b>654,878</b>	1,406,145
Income tax expense (benefit) attributable to operating profit (loss)		<u>–</u>	<u>–</u>
<b>(b) The Directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is:</b>			
		<b><u>6,804,132</u></b>	<b><u>6,164,452</u></b>

This benefit for tax losses will only be obtained if:

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (ii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

Sino Securities International Ltd and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office have been notified of this decision.

**Notes to the Financial Statements** (continued)

	<b>Note</b>	<b>30 Jun 05</b>	<b>30 Jun 04</b>
		<b>\$</b>	<b>\$</b>
<b>Note 3.4 - Earnings (Losses) per security</b>			
<b>(a) The following reflects the income (loss) data used in the calculation of basic and diluted earnings (loss) per share</b>			
Net profit (loss)		<b>(2,184,748)</b>	(4,584,313)
Net loss (profit) attributable to outside equity interest		<b>1,285,747</b>	1,868,753
Earnings (Loss) used in the calculation of basic earnings (loss) per share		<b>(899,001)</b>	(2,715,560)
<i>Add:</i>			
Imputed earnings after income tax on funds receivable on exercise of options issued		–	–
Earnings (Loss) used in the calculation of diluted earnings (loss) per share		<b>(899,001)</b>	(2,715,560)
		<b>Number of</b>	Number of
		<b>shares</b>	<b>shares</b>
<b>(b) The following reflects the share data used in the calculation of basic and diluted earnings (loss) per share</b>			
Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share		<b>14,957,130</b>	14,957,130
<i>Effect of dilutive securities:</i>			
Weighted average number of potential ordinary shares relating to share options issued		–	–
Weighted average number of potential ordinary shares used in the calculation of diluted earnings (loss) per share		<b>14,957,130</b>	14,957,130

**Notes to the Financial Statements** (continued)

	<b>Note</b>	<b>30 Jun 05</b> \$	30 Jun 04 \$
<b>Note 4.1 – Receivables</b>			
<b>Current</b>			
Trade debtors		<b>19,618</b>	9,427
Other receivables		<b>29,690</b>	552,050
Amounts other than trade debts receivable from related parties:			
Directors and director-related entities			
– directors		<b>75,000</b>	75,000
		<b>124,308</b>	<b>636,477</b>

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.

**Note 4.2 – Other Financial Assets**

**Current**

Investments in unlisted shares, at cost		<b>2,913,000</b>	2,913,000
Less: Provision for diminution	3.2(c)(iii)	<b>(2,913,000)</b>	(2,913,000)
		–	–
Investments in shares listed on a prescribed stock exchange, at cost or directors' valuation		<b>163,611</b>	163,611
Less: Provision for diminution		<b>(1,611)</b>	–
		<b>162,000</b>	<b>163,611</b>

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.



**Notes to the Financial Statements** (continued)

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Note 4.4 – Property, Plant and Equipment</b>			
Office and computer equipment – at cost		<b>1,627,040</b>	1,621,752
Accumulated depreciation		<b>(1,608,496)</b>	(1,532,915)
	4.4(a)	<b>18,544</b>	88,837
Motor vehicles – at cost		<b>215,832</b>	215,832
Accumulated depreciation		<b>(192,136)</b>	(185,256)
	4.4(a)	<b>23,696</b>	30,576
Furniture and fittings – at cost		<b>246,706</b>	246,706
Accumulated depreciation		<b>(200,202)</b>	(167,603)
	4.4(a)	<b>46,504</b>	79,103
Staff amenities – at cost		<b>955</b>	955
Accumulated depreciation		<b>(800)</b>	(718)
	4.4(a)	<b>155</b>	237
Total written down amount		<b>88,899</b>	198,753

**(a) Reconciliation for 2005**

	Office & Computer Equipment	Motor Vehicles	Furniture & Fittings	Staff Amenities	Total
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	88,837	30,576	79,103	237	198,753
– Additions	5,288	–	–	–	5,288
– Adjustment	–	–	–	–	–
– Depreciation expense	(75,581)	(6,880)	(32,599)	(82)	(115,142)
<b>Carrying amount at end of year</b>	<b>18,544</b>	<b>23,696</b>	<b>46,504</b>	<b>155</b>	<b>88,899</b>

**Note 4.5 – Other Assets**

**Current**

ASIC refundable deposit	<b>20,000</b>	20,000
Prepayments	<b>14,978</b>	24,498
	<b>34,978</b>	44,498

**Notes to the Financial Statements** (continued)

	Note	30 Jun 05 \$	30 Jun 04 \$
<b>Note 4.6 – Payables</b>			
<b>Current</b>			
Trade creditors		142,262	102,541
Other creditors		901,045	724,408
Withholding tax payable		9,989	52,371
Accruals		47,216	32,963
		<u>1,100,512</u>	<u>912,283</u>

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 4.7 – Provisions**

**Current**

Employee entitlements		<u>396,085</u>	351,968
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**Non-current**

Employee entitlements		<u>117</u>	7,029
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**Note 4.8 – Contributed Equity**

**(a) Issued and paid up capital**

Fully paid ordinary shares		11,220,253	11,220,253
Partly paid ordinary shares with 49 cents per share outstanding		28,000	28,000
Partly paid ordinary shares with 79.9 cents per share outstanding		500	500
		<u>11,248,753</u>	<u>11,248,753</u>

**(b) Share options**

During the financial year, no options were issued over ordinary shares. At the end of the financial year, there was nil (2004: nil) unissued ordinary shares in respect of which options were outstanding.

**Note 4.9 – Reserves and Retained Profits (Accumulated Losses)**

General reserve	4.9(a)	16,641,873	16,641,873
Forfeited shares reserve	4.9(b)	2,000	2,000
		<u>16,643,873</u>	<u>16,643,873</u>
Accumulated losses	4.9(c)	<u>(28,558,314)</u>	<u>(27,659,313)</u>

**Notes to the Financial Statements** (continued)

	<b>Note</b>	<b>30 Jun 05</b> \$	30 Jun 04 \$
<b>Note 4.9 – Reserves and Retained Profits (Accumulated Losses)</b> (continued)			
<b>(a) General reserve</b>			
(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		<b>16,641,873</b>	16,641,873
Transfer from retained profits		–	–
Balance at the end of the financial year		<b>16,641,873</b>	16,641,873
<b>(b) Forfeited shares reserve</b>			
(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		<b>2,000</b>	2,000
Movements during the year		–	–
Balance at the end of the financial year		<b>2,000</b>	2,000
<b>(c) Accumulated losses</b>			
Balance at the beginning of the financial year		<b>(27,659,313)</b>	(24,943,753)
Net profit (loss) attributable to members of the Parent Entity		<b>(899,001)</b>	(2,715,560)
Total available for appropriation		<b>(28,558,314)</b>	(27,659,313)
Aggregate of amounts transferred to the general reserve		–	–
Balance at the end of the financial year		<b>(28,558,314)</b>	(27,659,313)

**Notes to the Financial Statements** (continued)

	30 Jun 05	30 Jun 04
	\$	\$
<b>Note 5.1 - Reconciliation of cash flows from operations with operating profit (loss) after income tax</b>		
Operating profit (loss) after income tax	<b>(2,184,748)</b>	(4,584,313)
<b>Non-cash flows in operating profit (loss):</b>		
Net (profit) loss on disposal of financial assets	<b>(28,406)</b>	(830,672)
Bad debts	–	525
Depreciation of non-current assets	<b>115,142</b>	326,852
Share of net (profits) losses of associates	<b>(1,601)</b>	5,896
Provision for diminution in equity investments	<b>1,611</b>	2,913,000
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:</b>		
(Increase) Decrease in receivables	<b>7,908</b>	2,679
(Increase) Decrease in prepayments	<b>9,520</b>	2,316
Increase (Decrease) in payables and accruals	<b>353,786</b>	154,118
Increase (Decrease) in provision for employee entitlement	<b>37,205</b>	5,521
<b>Net cash (used in) operating activities</b>	<b><u>(1,689,583)</u></b>	<b><u>(2,004,078)</u></b>
<b>Note 5.2 - Reconciliation of cash</b>		
Cash balance comprises:		
– Cash at bank	<b>38,588</b>	506,188
– Deposits at call	–	–
	<b><u>38,588</u></b>	<b><u>506,188</u></b>

**Note 5.3 - Non-cash financing and investing activities**

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

**Note 5.4 - Financing facilities**

There are no credit facilities with any financial institutions.

**Note 6 – Adoption of Australian Equivalents to International Financial Reporting Standards**

SSI is preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Consolidated Entity's and SSI's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Consolidated Entity's management, with the assistance of its auditors, are assessing the significance of these changes and preparing for their implementation. The impact of the alternative treatments and elections under *AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been considered where applicable. The directors are of the opinion that the adoption of AIFRS in the Consolidated Entity's accounting policies is not likely to produce material differences.