

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

ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

TABLE OF CONTENT

| | |
|---|-----------|
| Directors' Report..... | 1 |
| Auditor's Independence Declaration..... | 11 |
| Statement of Financial Performance | 12 |
| Statement of Financial Position..... | 13 |
| Statement of Cash Flows..... | 14 |
| Notes to the Financial Statements | 15 |
| Note 1 – Summary of Significant Accounting Policies | 15 |
| Note 2 – Revenues from Ordinary Activities | 20 |
| Note 3 – Expenses and Losses (Gains) | 21 |
| Note 4 – Income Tax Expense | 22 |
| Note 5 – Dividends Paid or Proposed | 23 |
| Note 6 – Receivables..... | 23 |
| Note 7 – Other Financial Assets | 23 |
| Note 8 – Investments Accounted for Using the Equity Method | 24 |
| Note 9 – Property, Plant and Equipment | 26 |
| Note 10 – Other Assets | 27 |
| Note 11 – Payables..... | 27 |
| Note 12 – Provisions | 27 |
| Note 13 – Contributed Equity | 28 |
| Note 14 – Reserves and Retained Profits (Accumulated Losses) | 29 |
| Note 15 – Outside Equity Interest..... | 30 |
| Note 16 – Notes to Earnings (Loss) Per Share | 30 |
| Note 17 – Notes to the Statement of Cash Flows..... | 31 |
| Note 18 – Auditors' Remuneration..... | 32 |
| Note 19 – Segment Information | 33 |
| Note 20 – Controlled Entities | 34 |
| Note 21 – Expenditure Commitments | 34 |
| Note 21 – Expenditure Commitments (continued)..... | 35 |
| Note 22 – Related Party Disclosures..... | 35 |
| Note 23 – Financial Instruments | 36 |
| Note 24 – Contingent Liabilities..... | 37 |
| Note 25 – Events Subsequent to Balance Date..... | 37 |
| Note 26 – Company Details..... | 37 |
| Directors' Declaration..... | 38 |
| Independent Audit Report..... | 39 |
| Corporate Governance Statement | 41 |

DIRECTORS' REPORT

The directors of Sino Securities International Limited (“the Parent Entity” or “the Company”) 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 2005.

DIRECTORS

The names and details of directors of the Parent Entity 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.

Names, qualifications, experience and special responsibilities

Mr. Man Ban Lee SBS, MBE, FCPA, FCIS, FHKSA, CPA, JP (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. During the past three years, Mr. Lee has held the following listed company directorships:

- Canada Land Limited

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. 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. During the past three years, Mr. Li has held the following listed company directorships:

- GoConnect Limited

Mr. Ian A Johnston B.Bus.

Mr. Johnston holds a Bachelor of Business (Banking & Finance) degree from Monash University. He later received an Advanced Diploma of Financial Services (Financial Planning). 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 the financial services activities.

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

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

COMPANY SECRETARY

Ms. Samantha Tse, B.Ec.

Ms. Tse holds a Bachelor of Economics degree from Monash University with a major in accounting. She joined the Sino group in 1993 as a financial accountant of the group. She has detailed knowledge and experience of financial administration and Australian corporate and securities laws.

DIRECTORS' REPORT (continued)

DIVIDENDS

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

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 2005 amounted to \$899,001 (2004: \$2,715,560 loss).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year ended 30 June 2005 were the provision of a range of financial 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.

OPERATING AND FINANCIAL REVIEW

Group Overview

Sino Securities International Limited was incorporated on 8 August 1986 and listed on the Australian Stock Exchange on 22 May 1987 under ASX code "SSI". The securities of the Company are also listed on the Frankfurt, Munich, Berlin and Xetra Stock Exchanges with stock symbol "XSS".

▪ **Financial Services Division**

Through its wholly-owned subsidiary, Sino Investment Services Pty Ltd ("SIS"), a company licensed under the Australian Financial Services Reform legislation, the Company offers a range of expert investment and related financial services including:

- investment advice;
- corporate advisory and private client services;
- equity raisings/underwriting;
- economic and corporate research;
- investment management;
- nominee and custodian services; and
- cash management trusts.

The Company provides its clients, both local and overseas, with highly professional services on an active and personal basis.

▪ **Internet Media Division**

GoConnect Limited ("GCN"), a controlled entity of the Company, distributes Internet and mobile media via its proprietary technologies as well as provides Internet service provider services. GCN has developed mobile gaming software technology and is pursuing licensing opportunities to be promoted in Australia and Asian markets.

GCN's principal activities include:

- continuing with the research and development of the proprietary technology GoTrek that enables the publishing of video content including full motion television commercials and interactive banner advertisements to be delivered via the Internet with high quality, regardless of Internet access speed of fixed line or wireless connection of the online users;
- continuing the commercialisation of the GoTrek and m-Vision technologies;
- acquiring of video content for delivery by GoTrek and m-Vision with a choice of multiple channels; and
- operating an Internet Service Provider (ISP).

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

▪ Equity Investment Division

The Company has a number of equity investments in both listed and unlisted companies. One of the investments is investment in Pharmasafe Pty Ltd ("Pharmasafe") which the Company owns 40%.

Pharmasafe was 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, 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.

▪ Gaming Division

On 14 May 2005, the Company 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, China Entertainment Holdings Ltd ("CEH"), by way of issue of shares by the Company to Best Winning. An extraordinary general meeting of the Company will be held on 31 October 2005 to seek shareholders' approval of the merger with CEH.

CEH has secured a number of lottery and Keno permits in the City of Shanghai acting as agent for the sale of lottery 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.

Operating Results for the Year

For the financial year ended 30 June 2005, consolidated revenue from ordinary activities 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 placed 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 tangible assets 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 of 10.5 cents, the net tangible assets 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 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 to \$496,427, compared with a net loss of \$2,715,659 of the previous corresponding year, an improvement of 82 per cent.

▪ Financial Services Division

SIS revenue improved by 124 per cent to \$479,433 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, with further improvement 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.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

▪ **Internet Media Division**

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.

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. This rate of penetration 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 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, interviews 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 has also just reached agreement with the Times Group regarding the adoption and marketing of the patented GoTrek IPTV technology to the Indian market. This 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, lotl.com, guidetogay.com, sxnews.com, mcv.com.au, and JoyFM. Additional sales resources will be added to this division in the coming 12 months.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

▪ **Internet Media Division** (continued)

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 15 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 directory to provide aspiring artists a permanent virtual stage for showcasing their talents to their peers and professionals around the world.

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 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 and 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.

Business Strategies and prospects

The directors are of the opinion that any disclosures in relation to the Parent Entity and/or the Consolidated Entity's strategies and its prospects for future financial years are likely to result in unreasonable prejudice to the interests of the Parent Entity and/or the Consolidated Entity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 14 May 2005, the Company entered into a share sale agreement with Best Winning Investment Ltd ('**Share Sale Agreement**') to acquire Best Winning's 100 per cent interest in CEH by way of issue of shares by the Company to Best Winning. An extraordinary general meeting of the Company will be held on 31 October 2005 to seek shareholders' approval of the merger with CEH.

In the directors' opinion, there were no other 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.

LIKELY DEVELOPMENTS

Information on likely developments is included in the "Operating and Financial Review" section in this Directors' report. 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 Consolidated Entity.

DIRECTORS' REPORT (continued)

AFTER BALANCE DATE EVENTS

In August 2005, the Company placed 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.

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 were granted during the financial year and there were no options outstanding at the end of the financial year.

MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors were held. Attendances were:

| | <i>Number of meetings attended</i> |
|------------------|------------------------------------|
| Mr. M B Lee | 7 |
| Mr. R Li | 6 |
| Mr. I A Johnston | 7 |

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 of this annual report.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of the Parent Entity, and for the executives of the Parent Entity and the Consolidated Entity receiving the highest remuneration.

Remuneration policy

The Board of the Parent Entity reviews the succession planning for executive management of the Parent Entity and sets the remuneration package applicable to the Managing Director of the Parent Entity. The Managing Director who in turn reviews remuneration for other executive officers, including incentive performance packages, superannuation benefits and fringe benefit policies.

The assessment process includes 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 remuneration 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 policy of directors and executive management of GoConnect Ltd, a controlled entity, and its controlled entities is reviewed by the Board of GoConnect Ltd.

Non-executive director remuneration

In accordance with the constitution of the Parent Entity and the ASX Listing Rules, the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. A resolution will be proposed to shareholders at the EGM to be held on 31 October 2005 to seek shareholders' approval to set the aggregate remuneration to a maximum of \$50,000 per year.

No remuneration is currently payable to the non-executive director of the Parent Entity and no aggregate remuneration has been approved by shareholders.

Senior Manager and executive directors remuneration

The Parent Entity aims to reward executives with a mix of remuneration commensurate with their position and responsibilities within the Parent Entity and the Consolidated Entity in order to ensure the reward for performance is competitive and appropriate for the results delivered and to align reward with the achievement of strategic targets and the growth of shareholder value. The Parent Entity's executive directors and officers' remuneration currently consist of only fixed remuneration which are payable in a variety of forms including cash and fringe benefits. No variable remuneration is currently offered to the executive directors and officers of the Parent Entity.

The following table shows the profits (losses) and earnings per share for the past five years (including the financial year ended 30 June 2005) for the Consolidated Entity, as well as the share price of the Parent Entity at the end of the respective financial years. No dividend paid in the past five years. The operating results of the Consolidated Entity had improved during the year ended 30 June 2005. However, the directors have been prudent in conserving resources for the Consolidated Entity and accordingly, the remuneration of the executive directors and officers had not been adjusted during the year ended 30 June 2005.

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------|----------|---------|---------|---------|--------|
| Profits (Losses) (\$'000) | (22,863) | (2,850) | (1,047) | (2,716) | (899) |
| EPS (cents) | (160.0) | (19.6) | (7.0) | (18.2) | (6.0) |
| Share price at year-end | \$0.25 | \$0.67 | \$0.21 | \$0.23 | \$3.40 |

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Names and positions of Directors of the Parent Entity and Specified Executives of the Consolidated Entity in office at any time during the financial year are:

Specified Directors - Parent Entity

| | |
|------------------|--|
| Mr. M B Lee | Chairman – Non-Executive |
| Mr. R Li | Managing Director – Executive |
| Mr. I A Johnston | Director – Executive |
| Ms. K Cheng | Alternate Director for Mr. M B Lee – Non-Executive |

Specified Executives – Consolidated Entity

The following persons were the executives with the greatest authority for the strategic direction and management of the Consolidated Entity (“Specified Executives”) during the financial year.

| Name | Position | Employer |
|--------------|---|----------------------------------|
| Dr. W Wen | General Manager – Research and Development | GoConnect Australia Pty Ltd |
| Mr. A Voglis | Senior General Manager – Sales and Marketing | GoConnect Australia Pty Ltd |
| Mr. E Li | Chief Financial Officer and Company Secretary | GoConnect Australia Pty Ltd |
| Ms. S Tse | Financial Accountant and Company Secretary | Sino Investment Services Pty Ltd |

Employment contracts of executive directors and officers

Sino Investment Services Pty Ltd (“SIS”)

All executive officers of the Parent Entity, including the Managing Director, Mr. R Li, are permanent employees of SIS, a wholly owned subsidiary of the Parent Entity.

The employment contracts stipulate a one-month resignation period. SIS may terminate an employment contract without cause by providing 1 month written notice or making payment in lieu of notice, based on the individual’s annual salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, SIS can terminate employment at any time.

GoConnect Australia Pty Ltd (“GAP”)

The service agreements of GAP, a wholly owned subsidiary of GoConnect Ltd, provide for base salaries, performance based bonuses, bonuses at directors’ discretion, superannuation, other benefits, participation in the GoConnect employees option plan, and termination procedures. These agreements can be terminated by GAP on 3 months notice or payment in lieu of notice or a combination of both. The agreements may be terminated by the executives on the giving of 3 months notice.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Remuneration of Directors of the Parent Entity

Remuneration is any money, consideration or benefit paid, payable, provided or otherwise made available, directly or indirectly, to the directors of the Parent Entity by the Parent Entity or any related party in connection with the management of the affairs of the Parent Entity and its controlled entities.

| Name | | Primary | | Post-employment | Equity | Total |
|-----------------------------------|------|------------------------|-----------------------------|------------------------|---------------|---------|
| | | Salary & Fees \$ | Non-monetary benefits \$ | Superannuation \$ | Options \$ | \$ |
| Mr. R Li | 2005 | ⁽ⁱ⁾ 189,856 | 14,146 | ⁽ⁱⁱ⁾ 17,087 | – | 221,089 |
| | 2004 | ⁽ⁱ⁾ 189,856 | 22,963 | ⁽ⁱⁱ⁾ 17,087 | – | 229,906 |
| Mr. I A Johnston ⁽ⁱⁱⁱ⁾ | 2005 | 103,615 | 3,709 | 9,325 | – | 116,649 |
| | 2004 | 103,615 | 7,681 | 9,325 | – | 120,621 |

Remuneration of Specified Executives

Remuneration is any money, consideration or benefit paid, payable, provided or otherwise made available, directly or indirectly, to the specified executives of the Parent Entity and/or the Consolidated Entity by the Parent Entity and/or the Consolidated Entity or any related party in connection with the management of the affairs of the Parent Entity and its controlled entities.

| Name | | Primary | | Post-employment | Equity | Total |
|--|------|-------------------|-----------------------------|----------------------|---------------|---------|
| | | Base Salary \$ | Non-monetary benefits \$ | Superannuation \$ | Options \$ | \$ |
| Dr. W Wen | 2005 | 139,825 | – | 12,584 | – | 152,409 |
| | 2004 | 139,825 | – | 12,584 | – | 152,409 |
| Mr. A Voglis | 2005 | 111,111 | – | 10,000 | – | 121,111 |
| | 2004 | 111,111 | – | 10,000 | – | 121,111 |
| Mr. E Li | 2005 | 103,660 | – | 9,329 | – | 112,989 |
| | 2004 | 103,660 | – | 9,329 | – | 112,989 |
| Ms. S Tse | 2005 | 66,593 | 5,315 | 5,993 | – | 77,901 |
| | 2004 | 66,593 | 6,818 | 5,993 | – | 79,404 |
| Mr. P Barta (From 1/7/03 – 30/9/03) | 2004 | 41,530 | – | 2,806 | – | 44,336 |

Notes

(i) Includes \$40,000 director's fee payable by GoConnect Ltd as Executive Chairman of GoConnect Ltd.

(ii) Includes \$3,600 payable by GoConnect Ltd as Chairman of GoConnect Ltd.

(iii) The entire remuneration represents Mr. Johnston's remuneration as General Manager, Operations of the Sino Group. No director's fee or other benefit is payable to him as a director of the Parent Entity.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Number of Options held by Directors of the Parent Entity and Specified Executives

No options over ordinary shares in the Parent Entity were held by the directors of the Parent Entity and Specified Executives during the financial year. 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.

Number of Shares held by Directors of the Parent Entity and Specified Executives

The numbers of shares in the Parent Entity held during the financial year by each director of the Parent Entity and each of the five Specified Executives of the Consolidated Entity, including their personally-related entities, are set out below.

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|--|----------------------------------|---|-------------------------------|--------------------------------|
| Directors of the Parent Entity | | | | |
| <i>Ordinary shares</i> | | | | |
| Mr. M B Lee | 1,000,500 | – | – | 1,000,500 |
| Mr. I.A. Johnston | 99,500 | – | – | 99,500 |
| <i>Partly paid shares paid to 1 cent with 49 cents per share outstanding</i> | | | | |
| Mr. R. Li | 2,800,000 | – | – | 2,800,000 |
| <i>Partly paid shares paid to 0.1 cent with 79.9 cents per share outstanding</i> | | | | |
| Mr. R. Li | 500,000 | – | – | 500,000 |
| Specified Executives | | | | |
| No specified executives hold shares in the Parent Entity. | | | | |

NON-AUDIT SERVICES

There is no non-audit service provided by the auditors during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the directors.



RICHARD LI

MANAGING DIRECTOR

Dated at Melbourne this 30th day of September 2005

Melbourne

Bentleys MRI
ABN 62 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.bentleys.com.au

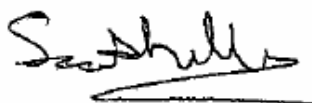
**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SINO SECURITIES INTERNATIONAL LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.



**BENTLEYS MRI
CHARTERED ACCOUNTANTS**



**SCOTT PHILLIPS
PARTNER**

Dated this 30th day of September 2005

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|--|------|---------------------|--------------|------------------|-------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Revenues from ordinary activities | 2 | 1,012,520 | 1,815,997 | 17,077 | 41,748 |
| Sharebroking and underwriting expenses | | (55,091) | (51,710) | – | – |
| Virtual Internet Service network operating expense | | (203,174) | (295,117) | – | – |
| Marketing expense | | (37,007) | (38,601) | – | – |
| Employee benefits expense | | (1,985,444) | (2,044,096) | – | – |
| Depreciation and amortisation expenses | 3 | (115,142) | (326,852) | – | – |
| Research and development expense | | (3,382) | (4,995) | – | – |
| Provision for diminution in equity investments | 3 | (1,611) | (2,913,000) | – | (2,913,000) |
| Provision for diminution in investment in controlled entities | | – | – | – | (3,622,026) |
| Other expenses from ordinary activities | 3 | (798,018) | (720,043) | (277,411) | (42,822) |
| Share of net Profits (losses) of associates accounted for using the equity method | 8 | 1,601 | (5,896) | – | – |
| Profit (Loss) from ordinary activities before income tax expense | | (2,184,748) | (4,584,313) | (260,334) | (6,536,100) |
| Income tax expense relating to ordinary activities | 4 | – | – | – | – |
| Net profit (loss) | | (2,184,748) | (4,584,313) | (260,334) | (6,536,100) |
| Net loss attributable to outside equity interest | | 1,285,747 | 1,868,753 | – | – |
| Net profit (loss) attributable to members of the Parent Entity | | (899,001) | (2,715,560) | (260,334) | (6,536,100) |
| Total revenues, expenses and valuation adjustments attributable to members of the Parent Entity and recognised directly in equity | | – | – | – | – |
| Total changes in equity other than those resulting from transactions with owners as owners | | (899,001) | (2,715,560) | (260,334) | (6,536,100) |
| Basic earnings (loss) per share | 16 | (6.0) cents | (18.2) cents | | |
| Diluted earnings (loss) per share | 16 | (6.0) cents | (18.2) cents | | |

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|---|-------|---------------------|--------------|---------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Current assets | | | | | |
| Cash assets | 17(b) | 38,588 | 506,188 | 130 | 253 |
| Receivables | 6 | 124,308 | 636,477 | 224,354 | 583,866 |
| Other financial assets | 7 | 162,000 | 163,611 | – | – |
| Other | 10 | 34,978 | 44,498 | 106 | 173 |
| Total current assets | | 359,874 | 1,350,774 | 224,590 | 584,292 |
| Non-current assets | | | | | |
| Other financial assets | 7 | – | – | 1,746,575 | 1,746,575 |
| Investments accounted for using the equity method | 8 | 1,823 | 222 | 40 | 40 |
| Property, plant and equipment | 9 | 88,899 | 198,753 | – | – |
| Total non-current assets | | 90,722 | 198,975 | 1,746,615 | 1,746,615 |
| Total assets | | 450,596 | 1,549,749 | 1,971,205 | 2,330,907 |
| Current liabilities | | | | | |
| Payables | 11 | 1,100,512 | 912,283 | 1,311,450 | 1,410,818 |
| Provisions | 12 | 396,085 | 351,968 | – | – |
| Total current liabilities | | 1,496,597 | 1,264,251 | 1,311,450 | 1,410,818 |
| Non-current liabilities | | | | | |
| Provisions | 12 | 117 | 7,029 | – | – |
| Total non-current liabilities | | 117 | 7,029 | – | – |
| Total liabilities | | 1,496,714 | 1,271,280 | 1,311,450 | 1,410,818 |
| Net assets (Deficiency) | | (1,046,118) | 278,469 | 659,755 | 920,089 |
| Equity | | | | | |
| Parent Entity interest | | | | | |
| – Contributed equity | 13 | 11,248,753 | 11,248,753 | 11,248,753 | 11,248,753 |
| – Reserves | 14 | 16,643,873 | 16,643,873 | 1,000 | 1,000 |
| – Accumulated losses | 14 | (28,558,314) | (27,659,313) | (10,589,998) | (10,329,664) |
| Total Parent Entity interest in equity | | (665,688) | 233,313 | 659,755 | 920,089 |
| Total outside equity interest | 15 | (380,430) | 45,156 | – | – |
| Total equity (Deficiency) | | (1,046,118) | 278,469 | 659,755 | 920,089 |

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|--|-------|---------------------|-------------|------------------|-----------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | | |
| Cash receipts in the course of operations | | 1,139,097 | 995,173 | 4,364 | 3,387 |
| Cash payments in the course of operations | | (2,837,110) | (2,995,623) | (49,609) | (44,489) |
| Interest received | | 8,430 | 2,945 | – | – |
| Interest paid | | – | (6,573) | – | – |
| Net cash (used in) operating activities | 17(a) | (1,689,583) | (2,004,078) | (45,245) | (41,102) |
| Cash flows from investing activities | | | | | |
| Proceeds from disposal of financial assets | | 79,004 | 962,836 | – | – |
| Purchase of property, plant and equipment | | (5,288) | (3,709) | – | – |
| Payment for investment in controlled entities | | – | – | – | (467,435) |
| Payment for investment in financial assets | | (100,884) | (162,091) | – | – |
| Repayment of loan by controlled entities | | – | – | 361,969 | 304,082 |
| Advances to controlled entities | | – | – | (105,883) | (576,000) |
| Net cash provided by (used in) investing activities | | (27,168) | 797,036 | 256,086 | (739,353) |
| Cash flows from financing activities | | | | | |
| 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) | – | – |
| Advances from controlled entities | | – | – | – | 780,281 |
| Repayment of advances from controlled entities | | – | – | (210,964) | – |
| Net cash provided by (used in) financing activities | | 1,249,151 | 1,643,451 | (210,964) | 780,281 |
| Net increase (decrease) in cash held | | (467,600) | 436,409 | (123) | (174) |
| Add opening cash brought forward | | 506,188 | 69,779 | 253 | 427 |
| Closing cash carried forward | 17(b) | 38,588 | 506,188 | 130 | 253 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005

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.

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. The Parent Entity is a listed public company, incorporated and domiciled in Australia.

The Consolidated Entity experienced operating losses and negative operating cash flows during the year ended 30 June 2005. The directors, however, are confident that the Consolidated Entity will be successful in generating revenue and cash flows by:

- establishing revenue from existing and future corporate advisory and private client services and sale of investments;
- generating advertising and sponsorship sales from existing and future projects;
- establishing revenue from the current projects for subscription services online and to mobile devices and other revenue generating activities; and
- accessing additional capital.

Accordingly, the directors have prepared the financial report on a going concern basis. At this time, the directors 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 2005.

(b) Principles of consolidation

A controlled entity is any entity controlled by the Parent Entity. Control exists where the Parent Entity has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates to achieve the objectives of the Consolidated Entity.

A list of controlled entities is contained in *Note 20* to the accounts. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as separate items in the consolidated accounts.

(c) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Tax consolidation legislation

The Parent Entity and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime as of 1 July 2003. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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. All revenue is stated net of the amount of goods and services tax (GST).

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal 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.

(f) 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.

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

(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.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

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 ² / ₃ | Diminishing value |
| Computer software | 2 – 3 | Straight line |
| Office and computer equipment | 3 – 5 | Straight line |
| Furniture and fittings | 8 | Straight line |
| Staff Amenities | 7 ² / ₃ | Straight line |

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits

The provision for employee benefits 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 benefits 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 benefits 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 benefits, 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) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments in Associates

Investments in associates are accounted for using the equity method of accounting. Under this method, the share of the profits or losses of the associate is recognised in the Statement of Financial Performance, and the share of movements in reserves is recognised in reserves in the Statement of Financial Position. Details relating to the associates are set out in *Note 8*.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(p) Comparative figures

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

(q) Adoption of Australian Equivalent to International Financial Reporting Standards

The Consolidated Entity 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 Parent Entity's and the Consolidated Entity'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 of the Parent Entity are of the opinion that the adoption of AIFRS in the Consolidated Entity's accounting policies is not likely to produce material differences. The possible immaterial differences in the Consolidated Entity's accounting policies on conversion to AIFRS and the financial effect of these differences where known are as follows. Users of the financial statements should, however, note that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS.

▪ *Impairment of Assets*

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows, which are largely independent of the cash inflows from other assets or group of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The Consolidated Entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. Impairment testing as at 1 July 2005 confirmed no impairment of any assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Adoption of Australian Equivalent to International Financial Reporting Standards (continued)

▪ *Income Tax*

Currently, the Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 the company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than effects of the timing and permanent differences between taxable income and accounting profit.

There is no impact on the Consolidated Entity as future income tax benefits in relation to tax losses are not brought to account.

▪ *Non-current Investments*

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Consolidated Entity's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change may increase the value of other non-current financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The Consolidated Entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------------|---------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| NOTE 2 – REVENUES FROM ORDINARY ACTIVITIES | | | | |
| (a) Revenues from operating activities | | | | |
| 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 | – | – |
| | 952,039 | 1,808,305 | – | – |
| (b) Revenues from non-operating activities | | | | |
| Interest income | | | | |
| – Related corporations | – | – | 17,077 | 41,748 |
| – Other corporations | 8,430 | 2,945 | – | – |
| Other | 52,051 | 4,747 | – | – |
| | 60,481 | 7,692 | 17,077 | 41,748 |
| Total revenues from ordinary activities | 1,012,520 | 1,815,997 | 17,077 | 41,748 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-----------|---------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| NOTE 3 – EXPENSES AND LOSSES (GAINS) | | | | |
| (a) Expenses | | | | |
| Provision for employee entitlements | 37,205 | 5,521 | – | – |
| Depreciation of non-current assets | 115,142 | 326,852 | – | – |
| Rental expense relating to operating lease | 132,468 | 129,846 | – | – |
| (b) 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) Net loss (gain) on disposal of financial assets | (28,406) | (830,672) | – | – |
| (ii) Provision for diminution in investments in controlled entities | – | – | – | 3,622,026 |
| (iii) Provision for diminution in equity investments | 1,611 | 2,913,000 | – | 2,913,000 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| Consolidated Entity | | Parent Entity | |
|---------------------|------|---------------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

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

| | | | | |
|---|------------------|--------------------|------------------|------------------|
| - Consolidated Entity | (655,424) | (1,375,294) | - | - |
| - Parent Entity | - | - | (78,100) | (874,222) |
| - Other members of the income tax consolidated group net of intercompany transactions | - | - | (70,765) | 59,585 |
| | (655,424) | (1,375,294) | (148,865) | (814,637) |
| Tax effect of Permanent Differences:- | | | | |
| Share of net (profits) losses of associates | (480) | 1,769 | - | - |
| Non-assessable income | - | (34,981) | - | (34,981) |
| Non-deductible expenses | 1,026 | 2,361 | 994 | 1,332 |
| Utilisation of prior year tax losses | - | - | - | (35,251) |
| Future income tax benefits not brought to account | 654,878 | 1,406,145 | 147,871 | 883,537 |
| Income tax expense (benefit) attributable to operating profit (loss) | - | - | - | - |

(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:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| | 6,804,132 | 6,164,452 | 1,422,518 | 1,285,924 |
|--|------------------|------------------|------------------|------------------|

This benefit for tax losses will only be obtained if:

- 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
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- 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 accounting policy on implementation of the tax consolidation legislation is set out in *Note 1(c)*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|--|------|---------------------|------|---------------|------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |

NOTE 5 – DIVIDENDS PAID OR PROPOSED

Dividend franking account

As at 30 June 2005, the Parent Entity's Dividend Franking Account had a balance of \$Nil. (2004: \$Nil).

NOTE 6 – RECEIVABLES

Current

| | | | | | |
|---|-----------|----------------|---------|----------------|---------|
| Trade debtors | | 19,618 | 9,427 | – | – |
| Other receivables | | 29,690 | 552,050 | 20,910 | 829 |
| Amounts other than trade debts receivable from related parties: | | | | | |
| – Loan to controlled entities | 22(b)&(c) | – | – | 203,444 | 583,037 |
| – Loan to directors | 22(d) | 75,000 | 75,000 | – | – |
| | | 124,308 | 636,477 | 224,354 | 583,866 |

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 22*.

NOTE 7 – OTHER FINANCIAL ASSETS

Current

| | | | | | |
|--|--|--------------------|-------------|--------------------|-------------|
| Investments in unlisted shares, at cost | | 2,913,000 | 2,913,000 | 2,913,000 | 2,913,000 |
| Less: Provision for diminution | | (2,913,000) | (2,913,000) | (2,913,000) | (2,913,000) |
| | | – | – | – | – |
| Investments in shares listed on a prescribed stock exchange, at cost | | 163,611 | 163,611 | – | – |
| Less: Provision for diminution | | (1,611) | – | – | – |
| | | 162,000 | 163,611 | – | – |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|--|-----------|---------------------|------|--------------------|-------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| NOTE 7 – OTHER FINANCIAL ASSETS (continued) | | | | | |
| Non-current | | | | | |
| Investments in controlled entities, at cost | 7(a) & 20 | – | – | 9,762,659 | 9,762,659 |
| Provision for diminution in investments in wholly-owned controlled entities | | – | – | (8,016,084) | (8,016,084) |
| | | – | – | 1,746,575 | 1,746,575 |

(a) Investments in controlled entities

Through its wholly-owned subsidiary, Sino GL Pty Ltd, the Parent Entity held a 52.0% (2004: 54.0%) interest in GoConnect Ltd (“GCN”).

NOTE 8 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Non-Current

| | | | | | |
|--------------------------|------|--------------|-----|-----------|----|
| Investment in associates | 8(a) | 1,823 | 222 | 40 | 40 |
|--------------------------|------|--------------|-----|-----------|----|

(a) Investments in associates

Interests are held in the following associates:

| Name of company | Principal activity | Ownership interest | | Carrying Amount | | | |
|--|---|--------------------|------|-----------------|------|---------------|------|
| | | 2005 | 2004 | Consolidated | | Parent Entity | |
| | | % | % | 2005 | 2004 | 2005 | 2004 |
| | | | | \$ | \$ | \$ | \$ |
| The Best Mix Entertainment Group Pty Ltd | Entertainment, music talent search | 50 | 50 | 1,823 | 222 | – | – |
| Pharmasafe Pty Ltd | Currently non-trading. It is expected to manufacture, license, market and distribute Chinese medicines | 40 | 40 | – | – | 40 | 40 |
| | | | | 1,823 | 222 | 40 | 40 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

Consolidated Entity
2005 **2004**
\$ **\$**

NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in associates (continued)

(i) Movements during the year in equity accounted investment in associates

| | | |
|---|--------------|------------|
| Balance at beginning of the financial year | 222 | 6,118 |
| Add: New investments during the year | – | – |
| Add: Investee became associate subsequent to initial acquisition of an ownership interest | – | – |
| Add: Share of associates' profits from ordinary activities after income tax | 1,601 | – |
| Less: Share of associates' losses from ordinary activities after income tax | – | (5,896) |
| Carrying amount at the end of the financial year | <u>1,823</u> | <u>222</u> |

(ii) Retained earnings (Accumulated losses) attributable to associates

| | | |
|--|----------------|----------------|
| Share of associates' profits (losses) from ordinary activities before income tax expense | 1,601 | (5,896) |
| Share of associates' income tax expense | – | – |
| Share of associates' profits (losses) from ordinary activities after related income tax | <u>1,601</u> | <u>(5,896)</u> |
| Share of retained profits at the beginning of the financial year | <u>(9,818)</u> | <u>(3,922)</u> |
| Share of retained profits (losses) at the end of the financial year | <u>(8,217)</u> | <u>(9,818)</u> |

(iii) Reserve attributable to associates

– –

(iv) Share of associates' contingent liabilities

– –

(v) Share of associates' expenditure commitments

– –

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|---|------|---------------------|-------------|---------------|------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| NOTE 9 – PROPERTY, PLANT AND EQUIPMENT | | | | | |
| Office and computer equipment – at cost | | 1,627,040 | 1,621,752 | – | – |
| Accumulated depreciation | | (1,608,496) | (1,532,915) | – | – |
| | 9(a) | 18,544 | 88,837 | – | – |
| Motor vehicles – at cost | | 215,832 | 215,832 | – | – |
| Accumulated depreciation | | (192,136) | (185,256) | – | – |
| | 9(a) | 23,696 | 30,576 | – | – |
| Furniture and fittings – at cost | | 246,706 | 246,706 | – | – |
| Accumulated depreciation | | (200,202) | (167,603) | – | – |
| | 9(a) | 46,504 | 79,103 | – | – |
| Staff amenities – at cost | | 955 | 955 | – | – |
| Accumulated depreciation | | (800) | (718) | – | – |
| | 9(a) | 155 | 237 | – | – |
| Total written down amount | | 88,899 | 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) |
| Carrying amount at end of year | 18,544 | 23,696 | 46,504 | 155 | 88,899 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|-------------------------------|------|---------------------|---------------|---------------|------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| NOTE 10 – OTHER ASSETS | | | | | |
| Current | | | | | |
| ASIC refundable deposit | 24 | 20,000 | 20,000 | – | – |
| Prepayments | | 14,978 | 24,498 | 106 | 173 |
| | | 34,978 | 44,498 | 106 | 173 |

NOTE 11 – PAYABLES

Current

| | | | | | |
|-------------------------------------|-------|------------------|----------------|------------------|------------------|
| Trade creditors | | 142,262 | 102,541 | 36,319 | 8,244 |
| Other creditors | | 901,045 | 724,408 | – | – |
| Withholding tax payable | | 9,989 | 52,371 | – | – |
| Accruals | | 47,216 | 32,963 | 13,105 | 9,000 |
| Amounts payable to related parties: | | | | | |
| – Loan from controlled entities | 22(b) | – | – | 1,262,026 | 1,393,574 |
| | | 1,100,512 | 912,283 | 1,311,450 | 1,410,818 |

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 22*.

NOTE 12 – PROVISIONS

Current

| | | | | | |
|-------------------|-------|---------|---------|---|---|
| Employee benefits | 12(a) | 396,085 | 351,968 | – | – |
|-------------------|-------|---------|---------|---|---|

Non-current

| | | | | | |
|-------------------|-------|-----|-------|---|---|
| Employee benefits | 12(a) | 117 | 7,029 | – | – |
|-------------------|-------|-----|-------|---|---|

(a) Aggregate employee benefits and related on-cost liabilities

| | | | | | |
|--|--|----------------|----------------|----------|----------|
| | | 396,202 | 358,997 | – | – |
|--|--|----------------|----------------|----------|----------|

| | | | | |
|--|---------------|--------|--------|--------|
| | Number | Number | Number | Number |
|--|---------------|--------|--------|--------|

(b) Number of employees at year end

| | | | | |
|--|-----------|----|---|---|
| | 23 | 22 | – | – |
|--|-----------|----|---|---|

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| NOTE 13 – CONTRIBUTED EQUITY | | | | |
| (a) Issued and paid up capital | | | | |
| Fully paid ordinary shares | 11,220,253 | 11,220,253 | 11,220,253 | 11,220,253 |
| 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 | 11,248,753 | 11,248,753 | 11,248,753 |
| | | | | |
| | 2005 | 2004 | 2005 | 2004 |
| | No. of | No. of | \$ | \$ |
| | shares | shares | | |
| (b) Movements in ordinary shares on issue | | | | |
| (i) Fully paid | | | | |
| Balance at the beginning of the financial year | 14,900,505 | 14,900,505 | 11,220,253 | 11,220,253 |
| Issued during the year: | | | | |
| – Private placement | – | – | – | – |
| Balance at the end of the financial year | 14,900,505 | 14,900,505 | 11,220,253 | 11,220,253 |
| (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 (2004: nil) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Parent Entity, to participate in the proceeds from the sale of the assets of the Parent Entity at the direction of the liquidator.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Note | Consolidated Entity | | Parent Entity | |
|--|-------|---------------------|--------------|---------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| NOTE 14 – RESERVES AND RETAINED PROFITS (ACCUMULATED LOSSES) | | | | | |
| General reserve | 14(a) | 16,641,873 | 16,641,873 | – | – |
| Forfeited shares reserve | 14(b) | 2,000 | 2,000 | 1,000 | 1,000 |
| | | 16,643,873 | 16,643,873 | 1,000 | 1,000 |
| Accumulated losses | 14(c) | (28,558,314) | (27,659,313) | (10,589,998) | (10,329,664) |
| (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 | | 16,641,873 | 16,641,873 | – | – |
| Transfer from retained profits | | – | – | – | – |
| Balance at the end of the financial year | | 16,641,873 | 16,641,873 | – | – |
| (b) 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 | | 2,000 | 2,000 | 1,000 | 1,000 |
| Movements during the year | | – | – | – | – |
| Balance at the end of the financial year | | 2,000 | 2,000 | 1,000 | 1,000 |
| (c) Accumulated losses | | | | | |
| Balance at the beginning of the financial year | | (27,659,313) | (24,943,753) | (10,329,664) | (3,793,564) |
| Net profit (loss) attributable to members of the Parent Entity | | (899,001) | (2,715,560) | (260,334) | (6,536,100) |
| Total available for appropriation | | (28,558,314) | (27,659,313) | (10,589,998) | (10,329,664) |
| Aggregate of amounts transferred to the general reserve | | – | – | – | – |
| Balance at the end of the financial year | | (28,558,314) | (27,659,313) | (10,589,998) | (10,329,664) |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|--------------|---------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| NOTE 15 – OUTSIDE EQUITY INTEREST | | | | |
| Reconciliation of outside equity interest in controlled entities | | | | |
| – Share capital | 13,517,493 | 12,534,306 | – | – |
| – Retained profits (Accumulated losses) | (13,897,923) | (12,489,150) | – | – |
| | (380,430) | 45,156 | – | – |

| | Consolidated Entity | |
|--|---------------------|------|
| | 2005 | 2004 |
| | \$ | \$ |

NOTE 16 – 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) | (2,184,748) | (4,584,313) |
| Net loss (profit) attributable to outside equity interest | 1,285,747 | 1,868,753 |
| Earnings (Loss) used in the calculation of basic earnings (loss) per share | (899,001) | (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 | (899,001) | (2,715,560) |

| | No. of shares | No. of shares |
|--|---------------|---------------|
|--|---------------|---------------|

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

| | | |
|---|------------|------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share | 14,957,130 | 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 | 14,957,130 | 14,957,130 |

(c) Conversions, calls, subscriptions or issues after 30 June 2005

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 2005

| | Consolidated Entity | | Parent Entity | |
|---|---------------------------|--------------------|------------------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| NOTE 17 – 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 | (2,184,748) | (4,584,313) | (260,334) | (6,536,100) |
| Non-cash flows in operating profit (loss): | | | | |
| Net (profit) loss on disposal of financial assets | (28,406) | (830,672) | – | – |
| Depreciation of non-current assets | 115,142 | 326,852 | – | – |
| Share of associates' net (profits) losses | (1,601) | 5,896 | – | – |
| Bad Debts | – | 525 | – | – |
| Provision for diminution in equity investment | 1,611 | 2,913,000 | – | 2,913,000 |
| Provision for diminution in investment in controlled entities | – | – | – | 3,622,026 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities: | | | | |
| (Increase) Decrease in receivables | 7,908 | 2,679 | (17,158) | (41,813) |
| (Increase) Decrease in prepayments | 9,520 | 2,316 | 67 | (23) |
| Increase (Decrease) in payables and accruals | 353,786 | 154,118 | 232,180 | 1,808 |
| Increase (Decrease) in provision for employee entitlement | 37,205 | 5,521 | – | – |
| Net cash (used in) operating activities | <u>(1,689,583)</u> | <u>(2,004,078)</u> | <u>(45,245)</u> | <u>(41,102)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| Consolidated Entity | | Parent Entity | |
|---------------------|------|---------------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

NOTE 17 – NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of cash

Cash balance comprises:

| | | | | |
|--------------------|---------------|----------------|------------|------------|
| – Cash at bank | 38,588 | 506,188 | 130 | 253 |
| – Deposits at call | – | – | – | – |
| | 38,588 | 506,188 | 130 | 253 |

(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 18 – 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 | 56,750 | 55,250 | 17,250 | 17,250 |
|---|--------|--------|--------|--------|

(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 | – | – | – | – |
| | 56,750 | 55,250 | 17,250 | 17,250 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 19 – SEGMENT INFORMATION

(a) Primary Segment – Business segment

The Consolidated Entity has the following three business segments:

- Financial Services division provides a range of financial services including investment advice, corporate advisory and private client services and Equity raisings/underwriting.
- Equity Investments division holds interests in both listed and unlisted companies.
- Internet Media division is involved in research and development of the proprietary technologies including GoTrek, commercialising GoTrek and other technologies, providing media contents for subscription and operating an Internet Service Provider.

| | Financial Services | | Equity Investments | | Internet Media | | Elimination | | Consolidated Entity | |
|---|--------------------|-----------|--------------------|-------------|----------------|-------------|-------------|----------|---------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | | | |
| 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 |
| Results | | | | | | | | | | |
| 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) |
| Assets | | | | | | | | | | |
| 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 |
| Liabilities | | | | | | | | | | |
| 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 |
| Other segment information | | | | | | | | | | |
| 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.

(b) Secondary Segment – Geographical segment

The Consolidated Entity operates in one geographical area being Australia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

NOTE 20 – CONTROLLED ENTITIES

| | Country of Incorporation | Percentage owned | |
|--|-----------------------------|----------------------|-------------|
| | | 2005 % | 2004 % |
| 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 |
| SSI Nominees Pty Ltd | Australia | 100.0 | 100.0 |
| Sino Asset Management Pty Ltd | Australia | 100.0 | 100.0 |
| GoConnect Ltd | Australia | 52.0 | 54.0 |
| 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 |
| | Consolidated Entity | Parent Entity | |
| | 2005 | 2004 | 2005 |
| | \$ | \$ | \$ |

NOTE 21 – EXPENDITURE COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable:

| | | | | |
|--|----------------|----------------|---|---|
| – not later than 1 year | 102,196 | 132,131 | – | – |
| – later than 1 year but not later than 2 years | – | 103,016 | – | – |
| | 102,196 | 235,147 | – | – |

The operating leases are in respect of the Consolidated Entity's 2 office premises.

- The first office lease is non-cancellable lease with a term of 10 years from 1 May 1993 and has been renewed for another 3 year to 30 April 2006, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the CPI per annum. No option exists to renew the lease after 30 April 2006.
- The second office lease is non-cancellable lease with a term of 3 years from 1 April 2000 and has been renewed for another 3 year to 31 March 2006, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the CPI per annum. No option exists to renew the lease after 31 March 2006.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

| Consolidated Entity | | Parent Entity | |
|---------------------|------|---------------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

NOTE 21 – EXPENDITURE COMMITMENTS (continued)

(b) Other commitments

| | | | | |
|--|---------------|----------------|----------|----------|
| Computer system service contracts | 66,114 | 138,769 | – | – |
| Insurance premiums | 25,204 | 14,998 | – | – |
| | 91,318 | 153,767 | – | – |
| – not later than 1 year | 91,318 | 104,451 | – | – |
| – later than 1 year but not later than 2 years | – | 49,316 | – | – |
| | 91,318 | 153,767 | – | – |

NOTE 22 – 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 and Ms. Katherine Cheng (alternate director for Mr. M. B. Lee).

(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

- (i) Office space, office facilities and other management services were provided by Sino Investment Services Pty Ltd to Sino Securities International Ltd and its controlled entities at an annual fee of \$200,000.
- (ii) Office space and office facilities were provided at no charge by GoConnect Australia Pty Ltd to other members of GoConnect Ltd.

The Parent Entity has provided a continuing credit facility with a limit of \$1,000,000 (2004: \$1,000,000) to a controlled entity, GoConnect Ltd. The interest rate at the end of the financial year was 7.69% (2004: 7.49%). The amount drawn under this facility as at 30 June 2005 was \$201,000 (2004: \$496,000) and the interest payable was \$1,270 (2004: \$46,163).

(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 2005 at a 5% rate of interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

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 | | | |
|------------------------------------|------------------------|----------------|----------------------------------|---------------|----------|----------|----------|----------|----------------------|------------------|--|----------|--|------------------|------|------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Financial assets: | | | | | | | | | | | | | | | | |
| Cash and bank deposit | 38,588 | 506,188 | - | - | - | - | - | - | - | - | - | - | 38,588 | 506,188 | 2.82 | 3.04 |
| Term deposit | - | - | 20,000 | - | - | - | - | - | - | - | - | - | 20,000 | 20,000 | 5.45 | 3.50 |
| Trade and other receivables | - | - | - | - | - | - | - | - | 124,308 | 636,477 | - | - | 124,308 | 636,477 | N/A | N/A |
| Listed shares | - | - | - | - | - | - | - | - | 162,000 | 163,611 | - | - | 162,000 | 163,611 | N/A | N/A |
| Unlisted shares | - | - | - | - | - | - | - | - | 1,823 | 222 | - | - | 1,823 | 222 | N/A | N/A |
| Total financial assets | 38,588 | 506,188 | 20,000 | 20,000 | - | - | - | - | 288,131 | 800,310 | - | - | 346,719 | 1,326,498 | | |
| Financial liabilities: | | | | | | | | | | | | | | | | |
| Trade and other creditors | - | - | - | - | - | - | - | - | 1,053,296 | 879,320 | - | - | 1,053,296 | 879,320 | N/A | N/A |
| Accruals | - | - | - | - | - | - | - | - | 47,216 | 32,963 | - | - | 47,216 | 32,963 | N/A | N/A |
| Provisions | - | - | - | - | - | - | - | - | 396,202 | 358,997 | - | - | 396,202 | 358,997 | N/A | N/A |
| Total financial liabilities | - | - | - | - | - | - | - | - | 1,496,714 | 1,271,280 | - | - | 1,496,714 | 1,271,280 | | |
| Net financial assets | 38,588 | 506,188 | 20,000 | 20,000 | - | - | - | - | (1,208,583) | (470,970) | - | - | (1,149,995) | 55,218 | | |

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2005

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 Australian Financial Services 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 2005.

NOTE 25 – EVENTS SUBSEQUENT TO BALANCE DATE

In August 2005, the Company placed 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.

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.

NOTE 26 – COMPANY DETAILS

The registered office and principal place of business of the Parent Entity is:

Level 3, 43-51 Queen Street
Melbourne Victoria 3000
Australia.

DIRECTORS' DECLARATION

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

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of Sino Securities International Ltd (“Parent Entity”) and its controlled entities (together “the Consolidated Entity”) are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Parent Entity’s and Consolidated Entity’s financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) as at the date of this declaration, 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
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board



RICHARD LI
MANAGING DIRECTOR

Dated at Melbourne this 30th day of September 2005

Melbourne

Bentleys MRI
ABN 62 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.bentleys.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SINO SECURITIES INTERNATIONAL LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sino Securities International Limited (the company) and Sino Securities International Limited (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SINO SECURITIES INTERNATIONAL LIMITED (continued)**

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

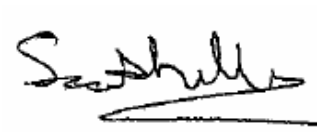
Audit Opinion

In our opinion, the financial report of Sino Securities International Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.



**BENTLEYS MRI
CHARTERED ACCOUNTANTS**



**SCOTT PHILLIPS
PARTNER**

Dated in Melbourne on this 30th day of September 2005

CORPORATE GOVERNANCE STATEMENT

This statement outlines Sino Securities International Ltd's ("the Company") main corporate governance practices that were in place throughout the financial year ended 30 June 2005, with reference to the Australian Stock Exchange principles of corporate governance and best practice recommendations. The primary responsibility of the Board of Directors of the Company is to oversee the business affairs of the Company and its controlled entities ("the Group") in order to protect and enhance the shareholders' interest. The Board's role is to ensure that the Group meets its obligations and responsibilities in all areas affecting all shareholders and the share market generally.

Board composition

The Board currently comprises of a non-executive chairman and 2 executive directors. Details of individual director are set out in the Directors' Report of this annual report. The Chairman is considered to be independent on the basis of the materiality thresholds as detailed below.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of the Company's shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchase made from any entity or individual directly or indirectly associated with the director; and
- none of the directors income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the Consolidated Entity other than income derived as a director of the Company.

The Chairman is Mr. Man Ban Lee and the Managing Director is Mr. Richard Li, and there is a clear separation of their roles and responsibilities. The Chairman leads the Board, and is responsible for the Board's workings and proceedings, while the Managing Director is responsible for implementing the Group's strategies and policies and the conduct of the Company's business.

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in office |
|--------------|-----------------------|
| M B Lee | 18 years |
| R Li | 18 years |
| I A Johnston | 4 years |

Appointment and retirement of directors

The Company does not have a nomination committee, however, the Board regularly reviews succession plans taking into consideration the range of skills, experience and expertise of the current members. Each director is required to notify the Board of any change in circumstances that could impair their position as a director.

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

- the Company'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.

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

All directors, in carrying out their duties and responsibilities as directors of the Company, have the right to seek independent professional advice at the Company's expense, subject to the approval of the Board.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration

The Company does not have a remuneration committee because of the size of the Company. The Chairman reviews the performance and salary of the Managing Director. The Managing Director reviews the performance and salary of each employee each year and reports to the Chairman accordingly. No directors' fees are payable to any director or the Chairman.

Securities Trading

The Company's securities trading policy provides that directors and employees of the Company should not deal in the Company's or its listed controlled entity's shares while possessing any information which if generally available might have a material effect on the price or value of the securities. Directors and employees of the Company are advised only to deal in the Company's or its listed controlled entity's shares after a reasonable time gap lapsed following the issue of an announcement to the Australian Stock Exchange, especially half-year and year end results. At this point the market will have absorbed the announcement and the information will be generally available. The policy also discourages trading on short-term considerations.

Audit Committee

The Board does not have a formal audit committee because of the size of the Board and lack of complexity in the operations of the Group. All significant matters which would otherwise be dealt with by an audit committee are dealt with by the full Board. The Managing Director and the Company Secretary in the role as Financial Accountant stated to the Board that the Group's consolidated financial report presents a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. The Board reviews 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. The Board also review the consolidated financial statements and other information distributed externally and accounting policies and practices. The Managing Director and the Company Secretary liaise with the external auditors and ensure that the annual statutory audit and half-year limited review are conducted in an effective manner.

Risk Management and Internal Controls

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. The Company does not have an internal audit function due to the lack of complexity in the Group's operations.

Communication with 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. This is achieved by way of detailed reports on the half year and annual results and through the Chairman's address at general meetings. Copies of announcements made to the ASX are available from the websites of the ASX, www.asx.com.au and the Company, www.sino.com.au. The audit partner from the external auditor attends the annual general meetings and is available to answer shareholders' questions.

Continuous Disclosure

The Company Secretary has been nominated as the person with primary responsibility for communications with the Australian Stock Exchange ("ASX") and is required to be fully conversant with the ASX Continuous Disclosure Listing Rules. Each member of the Board has a responsibility to advise the Company Secretary of any relevant disclosure matters of which they become aware.

Code of Conduct

The Company has an internal code of conduct which sets out principles to guide directors and employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Company, its customers and suppliers and the community. The code covers areas such as conduct in the workplace, business conduct, protection of the Company's assets, confidentiality, non-solicitation of customers and employees, conflicts of interest and corporate opportunities.