

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

ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2004

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DIRECTORS' REPORT

The directors of Sino Securities International Limited (“the Parent Entity”) present their report together with the financial report of the Parent Entity and its controlled entities (together “the Consolidated Entity”) for the financial year ended 30 June 2004.

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.

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.

Mr. Ian A Johnston B.Bus.

Mr. Johnston joined the Board on 7 September 2001. He holds a Bachelor of Business (Banking & Finance) degree from Monash University and this year completed 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.

DIVIDENDS

The directors do not recommend the declaration of a dividend for the year ended 30 June 2004.

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 2004 amounted to \$2,715,560 (2003: \$1,047,085 loss).

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year ended 30 June 2004 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.

REVIEW OF OPERATIONS

The Consolidated Entity continued to develop its financial services and Internet media businesses during the year under review. For the financial year ended 30 June 2004, consolidated revenue from ordinary activities from the Consolidated Entity declined 4.6 per cent to \$1,815,997 from \$1,902,580 of the previous corresponding year. Consolidated net loss attributable to shareholders rose 159.3 per cent to \$2,715,560 as opposed to a loss of \$1,047,085 from the previous year. This loss was predominately affected by the sale of the Multelink Services Pty Ltd business by its holding company Multelink Australia Ltd ("Multelink"), in whom the Parent Entity had a 19.4 per cent investment. Following this sale, the operations of Multelink ceased to exist and the Parent Entity announced on 21 June 2004 that a full write-off of its investment in Multelink to the value of \$2,913,000 would be made. The Parent Entity does not envisage any recovery of this investment.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

The Consolidated Entity continues to face numerous challenges and opportunities in the new financial year. Currently, the operations of Sino Investment Services Pty Ltd are under review with consideration being given to expand the range of products and services under the existing Australian Financial Services Licence. Discussions with several interested parties have commenced and should any of these dealings proceed an announcement to the market will be made.

The Consolidated Entity's joint venture with Naturewise Pty Ltd in Pharmasafe Pty Ltd should progress this current financial year with a submission to the Therapeutic Goods Administration ("TGA") as planned, seeking approval to manufacture and distribute a herbal based product that has positive effects for patients affected by hepatitis B.

Following on from their successful extension of the fixed line Internet Go Trek technology to mobile telephony devices for the transmission of video and audio messages to users of these mobile devices, GoConnect Ltd ("GCN") continues working closely with several major overseas and local corporations. GCN's m-Vision service continues to be promoted as an alternative system for delivering video infotainment to mobile devices powered by the Windows Mobile operating system and it is anticipated that additional pay subscription services, for both local and overseas subscribers, will be introduced during the current financial year. Furthermore, the recent release of "Direct Assist", a telephone directory search tool, into the local and international markets is now generating online sales. "Direct Assist" will be soon made available in a number of European and Asian countries for direct consumer sales and in the near future via mobile phone vendors and software distributors.

The above initiatives have been developed to add new streams of revenue to the Consolidated Entity in the current financial year and 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.

SHARE OPTIONS

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

DIRECTORS' REPORT (continued)

AFTER BALANCE DATE EVENTS

As announced to the Australian Stock Exchange on 5 July 2004, the Managing Director, Mr. Richard Li, was admitted to hospital due to a sudden illness. He has since been discharged from the hospital and has made a speedy recovery. He has also progressively returned to his corporate duties.

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

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

Disclosure relating to directors' and executive officers' emoluments has been included in *Note 19* of the financial report.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors were held. Attendances were:

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

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.

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



RICHARD LI

MANAGING DIRECTOR

Dated at Melbourne this 30th day of September 2004

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities	2	1,815,997	1,902,580	41,748	784,964
Sharebroking and underwriting expenses		(51,710)	(38,847)	–	–
Virtual Internet Service network operating expense		(295,117)	(561,382)	–	–
Marketing expense		(38,601)	(60,075)	–	–
Employee benefits expense		(2,044,096)	(2,205,621)	–	–
Depreciation and amortisation expenses	3	(326,852)	(451,854)	–	–
Research and development expense		(4,995)	(3,683)	–	–
Provision for diminution in equity investments	3	(2,913,000)	–	(2,913,000)	–
Provision for diminution in investment in controlled entities		–	–	(3,622,026)	–
Share of net losses of associates accounted for using the equity method	8	(5,896)	(3,922)	–	–
Other expenses from ordinary activities	3	(720,043)	(973,564)	(42,822)	(1,006,341)
Profit (Loss) from ordinary activities before income tax expense		(4,584,313)	(2,396,368)	(6,536,100)	(221,377)
Income tax expense relating to ordinary activities	4	–	–	–	–
Net profit (loss)		(4,584,313)	(2,396,368)	(6,536,100)	(221,377)
Net loss attributable to outside equity interest		1,868,753	1,349,283	–	–
Net profit (loss) attributable to members of the Parent Entity		(2,715,560)	(1,047,085)	(6,536,100)	(221,377)
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		(2,715,560)	(1,047,085)	(6,536,100)	(221,377)
Basic earnings (loss) per share	16	(18.2) cents	(7.0) cents		
Diluted earnings (loss) per share	16	(18.2) cents	(7.0) cents		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	17(b)	506,188	69,779	253	427
Receivables	6	636,477	146,255	583,866	230,435
Other financial assets	7	163,611	3,076,611	–	2,913,000
Other	10	44,498	46,815	173	151
Total current assets		1,350,774	3,339,460	584,292	3,144,013
Non-current assets					
Other financial assets	7	–	–	1,746,575	4,583,580
Investments accounted for using the equity method	8	222	6,118	40	40
Property, plant and equipment	9	198,753	523,456	–	–
Total non-current assets		198,975	529,574	1,746,615	4,583,620
Total assets		1,549,749	3,869,034	2,330,907	7,727,633
Current liabilities					
Payables	11	912,283	622,512	1,410,818	271,444
Provisions	12	351,968	346,756	–	–
Total current liabilities		1,264,251	969,268	1,410,818	271,444
Non-current liabilities					
Provisions	12	7,029	6,721	–	–
Total non-current liabilities		7,029	6,721	–	–
Total liabilities		1,271,280	975,989	1,410,818	271,444
Net assets		278,469	2,893,045	920,089	7,456,189
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	(27,659,313)	(24,943,753)	(10,329,664)	(3,793,564)
Total Parent Entity interest in equity		233,313	2,948,873	920,089	7,456,189
Total outside equity interest	15	45,156	(55,828)	–	–
Total equity		278,469	2,893,045	920,089	7,456,189

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		995,173	1,058,516	3,387	3,336
Cash payments in the course of operations		(2,995,623)	(3,369,898)	(44,489)	(33,454)
Interest received		2,945	17,507	–	–
Interest paid		(6,573)	–	–	–
Net cash (used in) operating activities	17(a)	(2,004,078)	(2,293,875)	(41,102)	(30,118)
Cash flows from investing activities					
Proceeds from disposal of financial assets		962,836	203,064	–	144,985
Purchase of property, plant and equipment		(3,709)	(11,083)	–	–
Payment for investment in associates		–	(10,000)	–	–
Payment for investment in controlled entities		–	(56,637)	(467,435)	(375,000)
Payment for investment in financial assets		(162,091)	–	–	–
Proceeds from disposal of investment in controlled entities		–	500,000	–	500,000
Repayment of loan by controlled entities		–	–	304,082	50,554
Advances to controlled entities		–	–	(576,000)	(290,916)
Net cash provided by (used in) investing activities		797,036	625,344	(739,353)	29,623
Cash flows from financing activities					
Proceeds from issue of ordinary shares		1,608,451	751,980	–	–
Proceeds from borrowings		70,000	35,000	–	–
Repayment of borrowings		(35,000)	–	–	–
Advances from controlled entities		–	–	780,281	–
Net cash provided by financing activities		1,643,451	786,980	780,281	–
Net increase (decrease) in cash held		436,409	(881,551)	(174)	(495)
Add opening cash brought forward		69,779	951,330	427	922
Closing cash carried forward	17(b)	506,188	69,779	253	427

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

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 Entity experienced operating losses and negative operating cash flows during the year ended 30 June 2004. 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 2004.

(b) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Sino Securities International Limited (“the Parent Entity”) and all entities which the Parent Entity controlled from time to time during the year and at balance date. A controlled entity is any entity controlled by the Parent Entity. Control exists where the Parent Entity has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates to achieve the objectives of the Consolidated Entity.

A list of controlled entities is contained in *Note 21* 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 Australian Taxation Office has not yet been notified of this decision.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax (continued)

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. The Parent Entity is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

(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.

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 $\frac{2}{3}$	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 $\frac{2}{3}$	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 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee entitlements

The provision for employee entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs. The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

Contributions are made by the Consolidated Entity to complying superannuation funds and are charged as expenses when incurred.

(i) Receivables

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

(j) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Recoverable amount

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

(l) Operating leases

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

(m) 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 2004

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

Australia is currently preparing for the introduction of International Financial Reporting Standards (“IFRS”) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Economic Entity’s management is assessing the significance of these changes and preparing for their implementation. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Economic Entity’s accounting policies which will arise from the adoption of IFRS are:

Non-current Investments

Under *AASB 139: Financial Instruments: Recognition and Measurement*, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

Income Tax

Currently, the Economic 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: Income Taxes*, the Economic Entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 2 – REVENUES FROM ORDINARY ACTIVITIES					
(a) Revenues from operating activities					
Financial services revenue		95,764	83,556	–	–
Paid ISP subscriptions revenue		441,739	554,702	–	–
Media subscriptions revenue		36,597	–	–	–
Advertising revenue		17,969	9,874	–	–
R & D tax offset rebate		239,207	228,728	–	–
Export market development grant		39,899	–	–	–
Other revenue		88	33,347	–	–
Proceeds on disposal of share investments		937,042	228,857	–	144,985
		1,808,305	1,139,064	–	144,985
(b) Revenues from non-operating activities					
Interest income					
– Related corporations		–	–	41,748	4,415
– Other corporations		2,945	15,934	–	–
Proceeds on disposal of investment in controlled entities		–	–	–	500,000
Recovery of provision for diminution in investment in controlled entities		–	–	–	135,564
Gain on consolidation on loss of control of subsidiaries	3(b)	–	661,689	–	–
Other		4,747	85,893	–	–
		7,692	763,516	41,748	639,979
Total revenues from ordinary activities		1,815,997	1,902,580	41,748	784,964

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 3 – EXPENSES AND LOSSES (GAINS)				
(a) Expenses				
Provision for employee entitlements	5,521	54,884	–	–
Depreciation of non-current assets	326,852	451,854	–	–
Rental expense relating to operating lease	129,846	118,404	–	–
(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) Loss on disposal of investment in controlled entities	–	–	–	303,335
(ii) Gain on consolidation on disposal of investment in controlled entities	–	661,689	–	–
(iii) Net loss (gain) on disposal of financial assets	(830,672)	31,381	–	(57,985)
(iv) Provision for diminution in investments in controlled entities	–	–	3,622,026	–
(v) Provision for diminution in equity investments	2,913,000	–	2,913,000	–

A full provision of \$2,913,000 was made against the Consolidated Entity's investment in Multelink Australia Ltd ("Multelink") after the board of Multelink advised the Consolidated Entity that the business of its wholly owned operating entity, Multelink Services Pty Ltd, was sold and the business would cease to operate with little prospect of any returns to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

Consolidated Entity		Parent Entity	
2004	2003	2004	2003
\$	\$	\$	\$

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	(1,375,294)	(718,910)	-	-
- Parent Entity	-	-	(874,222)	(66,413)
- Other members of the income tax consolidated group net of intercompany transactions	-	-	59,585	-
	(1,375,294)	(718,910)	(814,637)	(66,413)
Tax effect of Permanent Differences:-				
Gain on change in equity interest in a controlled entity	-	(24,110)	-	-
Gain on loss of control of subsidiaries	-	(198,508)	-	-
Recovery of provision for diminution in investment in controlled entities	-	-	-	(40,669)
Net loss of associates	1,769	-	-	-
Non-assessable income	(34,981)	-	(34,981)	-
Non-deductible expenses	2,361	3,008	1,332	21,280
Utilisation of prior year tax losses	-	-	(35,251)	-
Future income tax benefits not brought to account	1,406,145	938,520	883,537	85,802
Income tax expense (benefit) attributable to operating profit (loss)	-	-	-	-

(b) **The Directors estimate that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is:**

	6,164,452	5,642,173	1,285,924	92,979
--	------------------	------------------	------------------	---------------

This benefit for tax losses will only be obtained if:

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

Sino Securities International Ltd and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office have not yet been notified of this decision. 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 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$

NOTE 5 – DIVIDENDS PAID OR PROPOSED

Dividend franking account

As at 30 June 2004, the Parent Entity's Dividend Franking Account had a balance of \$Nil. (2003: \$Nil).

NOTE 6 – RECEIVABLES

Current

Trade debtors		9,427	6,009	–	–
Other receivables		552,050	65,246	829	763
Amounts other than trade debts receivable from related parties:					
– Loan to controlled entities	23(b)&(c)	–	–	583,037	229,672
– Loan to directors	23(d)	75,000	75,000	–	–
		636,477	146,255	583,866	230,435

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 23*.

NOTE 7 – OTHER FINANCIAL ASSETS

Current

Investments in unlisted shares, at cost	7(b)	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	–	–
		163,611	3,076,611	–	2,913,000

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

Non-current

Investments in controlled entities, at cost	7(a)	–	–	9,762,659	8,977,638
Provision for diminution		–	–	(8,016,084)	(4,394,058)
		–	–	1,746,575	4,583,580

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 7 – OTHER FINANCIAL ASSETS (continued)

Non-current (continued)

(a) Investments in controlled entities

Through its wholly-owned subsidiary, Sino GL Pty Ltd, the Parent Entity held a 54.0% (2003: 63.7%) interest in GoConnect Ltd (“GCN”).

(b) Investment in unlisted shares

The Consolidated Entity held a 19.4% (2003: 19.4%) interest in Multelink Australia Ltd (“Multelink”) for \$2,913,000 (2003: \$2,913,000). A full provision of \$2,913,000 was made against the investment in Multelink after the board of Multelink advised the Consolidated Entity that the business of its wholly owned operating entity, Multelink Services Pty Ltd, was sold and the business would cease to operate with little prospect of any returns to shareholders.

NOTE 8 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Non-Current					
Investment in associates	8(a)	222	6,118	40	40

(a) Investments in associates

Interests are held in the following associates:

Name of company	Principal activity	Ownership interest		Carrying Amount			
		2004	2003	Consolidated		Parent Entity	
		%	%	2004	2003	2004	2003
				\$	\$	\$	\$
The Best Mix Entertainment Group Pty Ltd	Entertainment, music talent search	50	50	222	6,118	–	–
Pharmasafe Pty Ltd	Currently non-trading. It is expected to manufacture, license, market and distribute Chinese medicines	40	40	–	–	40	40
				222	6,118	40	40

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

Consolidated Entity
2004 **2003**
\$ **\$**

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	6,118	–
Add: New investments during the year	–	10,000
Add: Investee became associate subsequent to initial acquisition of an ownership interest	–	40
Less: Share of associates' loss from ordinary activities after income tax	<u>(5,896)</u>	<u>(3,922)</u>
Carrying amount at the end of the financial year	<u>222</u>	<u>6,118</u>

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

Share of associates' profits (loss) from ordinary activities before income tax expense	(5,896)	(3,922)
Share of associates' income tax expense	<u>–</u>	<u>–</u>
Share of associates' profits (loss) from ordinary activities after related income tax	(5,896)	(3,922)
Share of retained profits at the beginning of the financial year	<u>(3,922)</u>	–
Share of retained profits (losses) at the end of the financial year	<u>(9,818)</u>	<u>(3,922)</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 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT					
Office and computer equipment – at cost		1,621,752	1,619,667	–	–
Accumulated depreciation		(1,532,915)	(1,247,685)	–	–
	9(a)	88,837	371,982	–	–
Motor vehicles – at cost		215,832	215,832	–	–
Accumulated depreciation		(185,256)	(176,379)	–	–
	9(a)	30,576	39,453	–	–
Furniture and fittings – at cost		246,706	246,707	–	–
Accumulated depreciation		(167,603)	(135,004)	–	–
	9(a)	79,103	111,703	–	–
Staff amenities – at cost		955	891	–	–
Accumulated depreciation		(718)	(573)	–	–
	9(a)	237	318	–	–
Total written down amount		198,753	523,456	–	–

(a) Reconciliation for 2004

	Office & Computer Equipment	Motor Vehicles	Furniture & Fittings	Staff Amenities	Total
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	371,982	39,453	111,703	318	523,456
– Additions	2,084	–	–	65	2,149
– Adjustment	–	–	–	–	–
– Depreciation expense	(285,229)	(8,877)	(32,600)	(146)	(326,852)
Carrying amount at end of year	88,837	30,576	79,103	237	198,753

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 10 – OTHER ASSETS					
Current					
ASIC refundable deposit	25	20,000	20,000	–	–
Prepayments		24,498	26,815	173	151
		44,498	46,815	173	151

NOTE 11 – PAYABLES

Current

Trade creditors		102,541	118,198	8,244	6,436
Other creditors		724,408	377,904	–	–
Withholding tax payable		52,371	101,457	–	–
Accruals		32,963	24,953	9,000	9,000
Amounts payable to related parties:					
– Loan from controlled entities	23(b)	–	–	1,393,574	256,008
		912,283	622,512	1,410,818	271,444

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 23*.

NOTE 12 – PROVISIONS

Current

Employee entitlements	12(a)	351,968	346,756	–	–
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Non-current

Employee entitlements	12(a)	7,029	6,721	–	–
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(a) Aggregate employee benefits and related on-cost liabilities

		358,997	353,477	–	–
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		Number	Number	Number	Number
(b) Number of employees at year end		22	27	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
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
	2004	2003	2004	2003
	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 (2003: 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 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
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)	(27,659,313)	(24,943,753)	(10,329,664)	(3,793,564)
(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	16,561,505	–	–
Transfer from retained profits		–	80,368	–	–
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	2,413	1,000	1,000
Movements during the year		–	(413)	–	–
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		(24,943,753)	(23,816,300)	(3,793,564)	(3,572,187)
Net profit (loss) attributable to members of the Parent Entity		(2,715,560)	(1,047,085)	(6,536,100)	(221,377)
Total available for appropriation		(27,659,313)	(24,863,385)	(10,329,664)	(3,793,564)
Aggregate of amounts transferred to the general reserve		–	(80,368)	–	–
Balance at the end of the financial year		(27,659,313)	(24,943,753)	(10,329,664)	(3,793,564)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$

NOTE 15 – OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities

– Share capital	12,534,306	9,141,617	–	–
– Retained profits (Accumulated losses)	(12,489,150)	(9,197,445)	–	–
	<u>45,156</u>	<u>(55,828)</u>	–	–

	Consolidated Entity	
	2004	2003
	\$	\$

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)	(4,584,313)	(2,396,368)
Net loss (profit) attributable to outside equity interest	<u>1,868,753</u>	<u>1,349,283</u>
Earnings (Loss) used in the calculation of basic earnings (loss) per share	(2,715,560)	(1,047,085)
<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	<u>(2,715,560)</u>	<u>(1,047,085)</u>

	No. of shares	No. of shares
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(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	<u>14,957,130</u>	<u>14,957,130</u>

(c) Conversions, calls, subscriptions or issues after 30 June 2004

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 2004

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
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	(4,584,313)	(2,396,368)	(6,536,100)	(221,377)
Non-cash flows in operating profit (loss):				
Net (profit) loss on disposal of financial assets	(830,672)	31,381	–	(57,985)
Depreciation of non-current assets	326,852	451,854	–	–
Gain on consolidation on loss of control of controlled entities	–	(661,689)	–	–
Gain on consolidation on changes in equity interest in a controlled entity	–	(80,368)	–	–
Share of associates' net losses	5,896	3,922	–	–
Write off of forfeited share reserve	–	(413)	–	–
Bad Debts	525	–	–	–
Net (profit) loss on disposal of investments in controlled entities	–	–	–	303,335
Write off loan to controlled entities	–	–	–	70,916
Recovery of provision for diminution of investment in controlled entities	–	–	–	(135,564)
Provision for diminution in equity investment	2,913,000	–	2,913,000	–
Provision for diminution in investment in controlled entities	–	–	3,622,026	–
Write off investment in controlled entities	–	–	–	16
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:				
(Increase) Decrease in receivables	2,679	5,856	(41,813)	(329)
(Increase) Decrease in prepayments	2,316	52,321	(23)	(151)
(Increase) Decrease in investments in controlled entities	–	–	–	(4,415)
(Increase) Decrease in plant and equipment	–	1,103	–	–
Increase (Decrease) in payables and accruals	154,118	243,642	1,808	15,436
Increase (Decrease) in provision for employee entitlement	5,521	54,884	–	–
Net cash (used in) operating activities	(2,004,078)	(2,293,875)	(41,102)	(30,118)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

Note	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$

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

(b) Reconciliation of cash

Cash balance comprises:

– Cash at bank	506,188	69,779	253	427
– Deposits at call	–	–	–	–
	<u>506,188</u>	<u>69,779</u>	<u>253</u>	<u>427</u>

(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	55,250	55,000	17,250	12,000
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(b) Amounts received or due and receivable by auditors other than the Parent Entity's auditors for:

– an audit or review of the financial report of controlled entities	–	–	–	–
	<u>55,250</u>	<u>55,000</u>	<u>17,250</u>	<u>12,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 19 – DIRECTORS’ AND EXECUTIVES’ REMUNERATION

(a) Names and positions of Directors of the Parent Entity and Specified Executives of the Economic 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 – Non-Executive

Specified Executives - Economic Entity

The following persons were the five 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 & Marketing	GoConnect Australia Pty Ltd
Mr. E Li	Chief Financial Officer and Company Secretary	GoConnect Australia Pty Ltd
Mr. K Wong	General Manager – Operations	GoConnect Australia Pty Ltd
Mr. P Barta	Senior General Manager: <i>resigned 30 September 2003</i>	GoConnect Australia Pty Ltd

(b) 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 base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity.

To assist in achieving these objectives, the Board links the nature and amount of executive directors’ and officers’ emoluments to the Consolidated Entity’s financial and operational performance.

No directors’ fees or other benefits are payable to non-executive directors of the Parent Entity.

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.

(c) Service agreements

Remuneration and other terms of employment for the specified executives are formalized in service agreements.

The service agreements 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 the GoConnect Ltd group 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 19 – DIRECTORS’ AND EXECUTIVES’ REMUNERATION (continued)

(d) 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.

2004	Primary		Post-employment	Equity	Total
Name	Salary & Fees	Non-monetary benefits	Superannuation	Options	
	\$	\$	\$	\$	\$
Mr. R Li	⁽ⁱ⁾ 189,856	22,963	⁽ⁱⁱ⁾ 17,087	–	229,906
Mr. I A Johnston ⁽ⁱⁱⁱ⁾	103,615	7,681	9,325	–	120,621
	293,471	30,644	26,412	–	350,527

Total remuneration of directors of the Parent Entity for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of *AASB 1046: Director and Executive Disclosures by Disclosing Entities*.

2003	Primary		Post-employment	Equity	Total
Name	Salary & Fees	Non-monetary benefits	Superannuation	Options	
	\$	\$	\$	\$	\$
Total	292,221	23,855	26,300	–	342,376

(e) Remuneration of Specified Executives

2004	Primary		Post-employment	Equity	Total
Name	Base Salary	Non-monetary benefits	Superannuation	Options	
	\$	\$	\$	\$	\$
Dr. W Wen	139,825	–	12,584	–	152,409
Mr. A Voglis	111,111	–	10,000	–	121,111
Mr. E Li	103,660	–	9,329	–	112,989
Mr. K Wong	95,987	–	8,639	–	104,626
Mr. P Barta (<i>Resigned 30/09/03</i>)	41,530	–	2,806	–	44,336
	492,113	–	43,358	–	535,471

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of *AASB 1046: Director and Executive Disclosures by Disclosing Entities*.

2003	Primary		Post-employment	Equity	Total
Name	Base Salary	Non-monetary benefits	Superannuation	Options	
	\$	\$	\$	\$	\$
	575,313	–	51,778	–	627,091

Notes

(i) Includes \$40,000 director’s fee payable by GoConnect Ltd as 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 19 – DIRECTORS’ AND EXECUTIVES’ REMUNERATION (continued)

(f) 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.

(g) 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.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 20 – 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Operating revenue derived from external customers	95,764	121,921	–	–	496,304	564,576	–	–	592,068	686,497
Other revenue	89,364	86,409	853,385	144,985	281,180	242,219	–	–	1,223,929	473,613
Inter-segment revenue	28,859	37,599	41,748	4,415	–	–	(70,607)	(42,014)		
Total segment revenue	213,987	245,929	895,133	149,400	777,484	806,795	(70,607)	(42,014)		
Unallocated revenue									–	742,470
Total revenue									1,815,997	1,902,580
Results										
Segment result	(636,787)	(735,038)	(2,078,471)	16,926	(1,839,796)	(2,350,310)	(28,859)	(37,599)	(4,583,913)	(3,106,021)
Unallocated expenses									(400)	(32,817)
Unallocated revenue									–	742,470
Net loss									(4,584,313)	(2,396,368)
Assets										
Segment assets	339,479	379,033	1,254	2,914,341	1,208,996	575,640	–	–	1,549,729	3,869,014
Unallocated assets									20	20
Total assets									1,549,749	3,869,034
Liabilities										
Segment liabilities	590,338	455,660	112,294	15,436	568,648	504,893	–	–	1,271,280	975,989
Unallocated liabilities									–	–
Total liabilities									1,271,280	975,989
Other segment information										
Acquisition of property, plant and equipment and other non-current assets	65	–	–	–	2,085	12,636	–	–	2,150	12,636
Depreciation	15,711	23,940	–	–	311,141	427,914	–	–	326,852	451,854
Non-cash expenses other than depreciation and amortisation	14,802	203,628	2,913,000	87,040	(2,861)	28,377	–	–	2,924,941	319,045

Segment information for the prior year ended 30 June 2003 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 2004.

(b) Secondary Segment – Geographical segment

The Consolidated Entity operates in one geographical area being Australia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 21 – CONTROLLED ENTITIES

	Note	Country of Incorporation	Percentage owned	
			2004 %	2003 %
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	54.0	63.7
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	
2004	2003	2004	2003
\$	\$	\$	\$

NOTE 22 – EXPENDITURE COMMITMENTS

(a) Operating lease commitments

– not later than 1 year	132,131	126,898	–	–
– later than 1 year but not later than 2 years	103,016	128,802	–	–
– later than 2 year but not later than 5 years	–	100,764	–	–
	235,147	356,464	–	–

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

(b) Other commitments

– not later than 1 year	104,451	63,234	–	–
– later than 1 year but not later than 2 years	49,316	4,000	–	–
	153,767	67,234	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 23 – 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

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

The Parent Entity has provided a continuing credit facility with a limit of \$1,000,000 (2003: \$600,000) to a controlled entity, GoConnect Ltd. The interest rate at the end of the financial year was 7.49% (2003: 6.85%). The amount drawn under this facility as at 30 June 2004 was \$496,000 and the interest payable was \$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 2004 at a 5% rate of interest.

(e) Director-related entity transactions

Mr. Jaginder Singh Pasricha, a former director of GoConnect Ltd, is a partner of Pasricha Partners which provided legal services to the Consolidated Entity on normal commercial terms and conditions. Total amount paid and payable to Pasricha Partners during the financial year was \$12,344 of which \$Nil was outstanding as at 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 24 – FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate			
	2004	2003	1 year or less	1 to 5 years	Over 5 years	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Financial assets:																
Cash and bank deposit	506,188	69,779	-	-	-	-	-	-	-	-	-	-	506,188	69,779	3.04	2.84
Term deposit	-	-	20,000	-	-	-	-	-	-	-	-	-	20,000	20,000	3.50	3.00
Trade and other receivables	-	-	-	-	-	-	-	-	636,477	146,255	-	-	636,477	146,255	N/A	N/A
Listed shares	-	-	-	-	-	-	-	-	163,611	163,611	-	-	163,611	163,611	N/A	N/A
Unlisted shares	-	-	-	-	-	-	-	-	222,919,118	222,919,118	-	-	222,919,118	222,919,118	N/A	N/A
Total financial assets	506,188	69,779	20,000	20,000	-	-	-	-	800,310	3,228,984	-	-	1,326,498	3,318,763		
Financial liabilities:																
Trade and other creditors	-	-	-	-	-	-	-	-	879,320	597,559	-	-	879,320	597,559	N/A	N/A
Accruals	-	-	-	-	-	-	-	-	32,963	24,953	-	-	32,963	24,953	N/A	N/A
Provisions	-	-	-	-	-	-	-	-	358,997	353,477	-	-	358,997	353,477	N/A	N/A
Total financial liabilities	-	-	-	-	-	-	-	-	1,271,280	975,989	-	-	1,271,280	975,989		
Net financial assets	506,188	69,779	20,000	20,000	-	-	-	-	(470,970)	2,252,995	-	-	55,218	2,342,774		

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2004

NOTE 24 – 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 25 – 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 2004.

NOTE 26 – EVENTS SUBSEQUENT TO BALANCE DATE

As announced to the Australian Stock Exchange on 5 July 2004, the Managing Director, Mr. Richard Li, was admitted to hospital due to a sudden illness. He has since been discharged from the hospital and has made a speedy recovery. He has also progressively returned to his corporate duties.

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

NOTE 27 – 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

The directors of Sino Securities International Limited declare that:

- (1) the financial report comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes to the financial statements for Sino Securities International Ltd ("Parent Entity") and its controlled entities (together "the Consolidated Entity"), are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Parent Entity's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (b) complying with Accounting Standards and Corporations Regulations 2001; and
- (2) in the directors' opinion of the director, 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.

This declaration is made in accordance with a resolution of the Board of Directors.



RICHARD LI
MANAGING DIRECTOR

Dated at Melbourne this 30th day of September 2004

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 2004. 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.

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throughout the world.

Associated in all States of Australia.
The firms practising as Bentleys MRI
and Moores Rowland are independent.
They are affiliated only and not
in partnership.

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

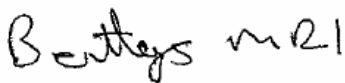
Independence

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

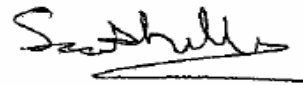
Audit Opinion

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 2004 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.

A handwritten signature in black ink that reads "Bentleys MRI".

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink that reads "Scott Phillips".

**SCOTT PHILLIPS
PARTNER**

Dated in Melbourne on this 30th day of September 2004

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 2004, 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 Economic 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.

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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

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.