SINO STRATEGIC INTERNATIONAL LIMITED

ABN 99 006 620 739

兆龍

ANNUAL REPORT 2006

CORPORATE DIRECTORY

DIRECTORS

Mr. Theodore C T Cheng (Group CEO & Chairman)
Mr. Richard Li (COO, Australia)
Mr. Peter J Gillooly
Mr. Ian A Johnston
Mr. Man Ban Lee
Mr. John C Wu
Mr. Edwin H M Yuen

ALTERNATE DIRECTOR

Ms. Katherine Cheng (Alternate Director for Mr. M B Lee)

COMPANY SECRETARY

Ms. Samantha Tse

REGISTERED OFFICE

Level 2, 419 Collins Street
Melbourne Victoria 3000
Australia

Telephone	:	61 3 9629 6615
Facsimile	:	61 3 9614 1946
Web site	:	www.sino.com.au
Email	:	info@sino.com.au

AUDITORS

Bentleys MRI
Chartered Accountants
114 William Street
Melbourne Victoria 3000
Australia

BANKER

National Australia Bank Ltd

SHARE REGISTRY

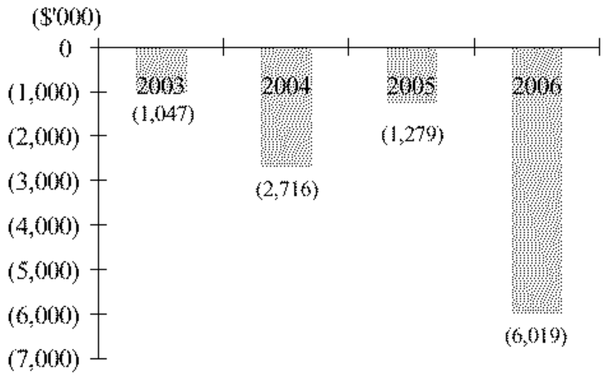
Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne Victoria 3001
Australia

Telephone	:	1300 85 05 05 *(within Australia)*
	:	61 3 9415 4000 *(Overseas)*
Facsimile	:	61 3 9473 2500
Web site	:	www.computershare.com.au

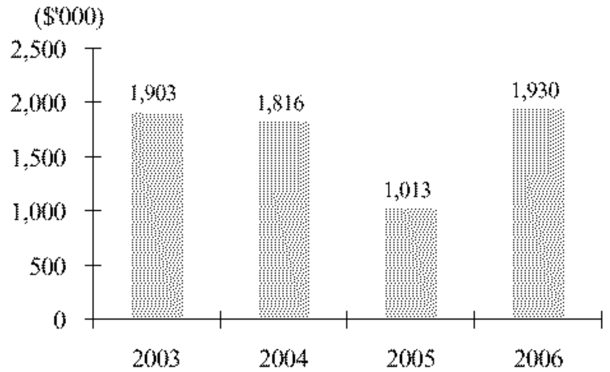
CONTENTS

FINANCIAL HIGHLIGHTS

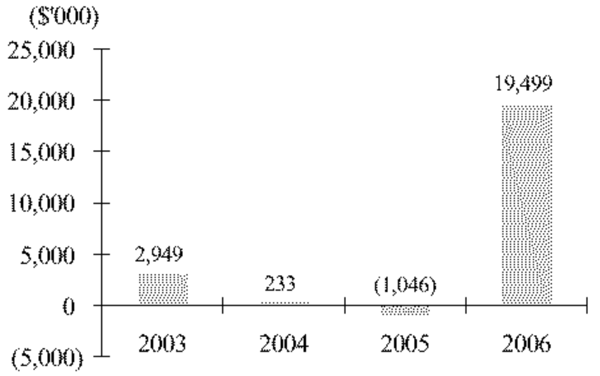
Operating Profit (Loss) Attributable to Members



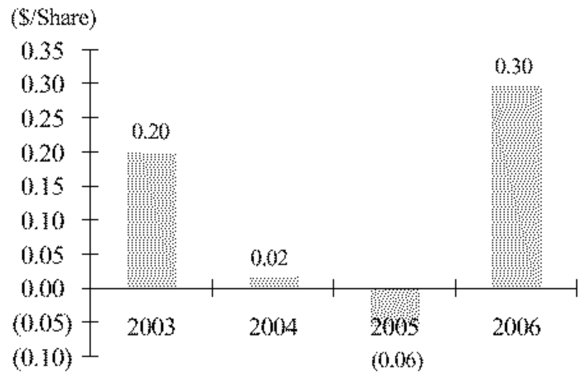
Revenue from Ordinary Activities



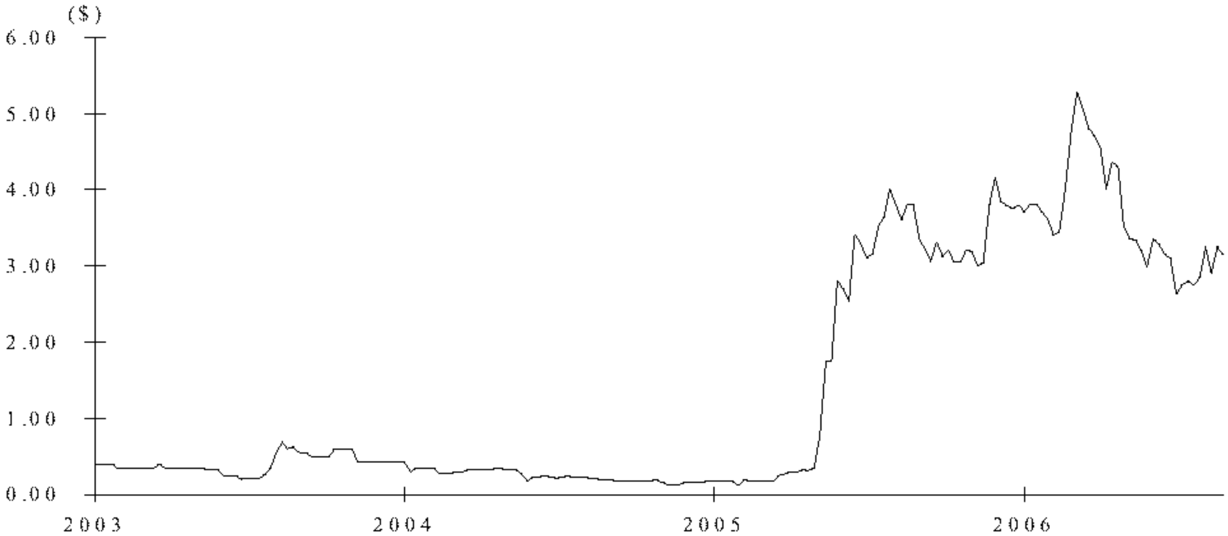
Shareholders' Equity Attributable to Members excluding Intangible Assets



Net Tangible Asset Backing

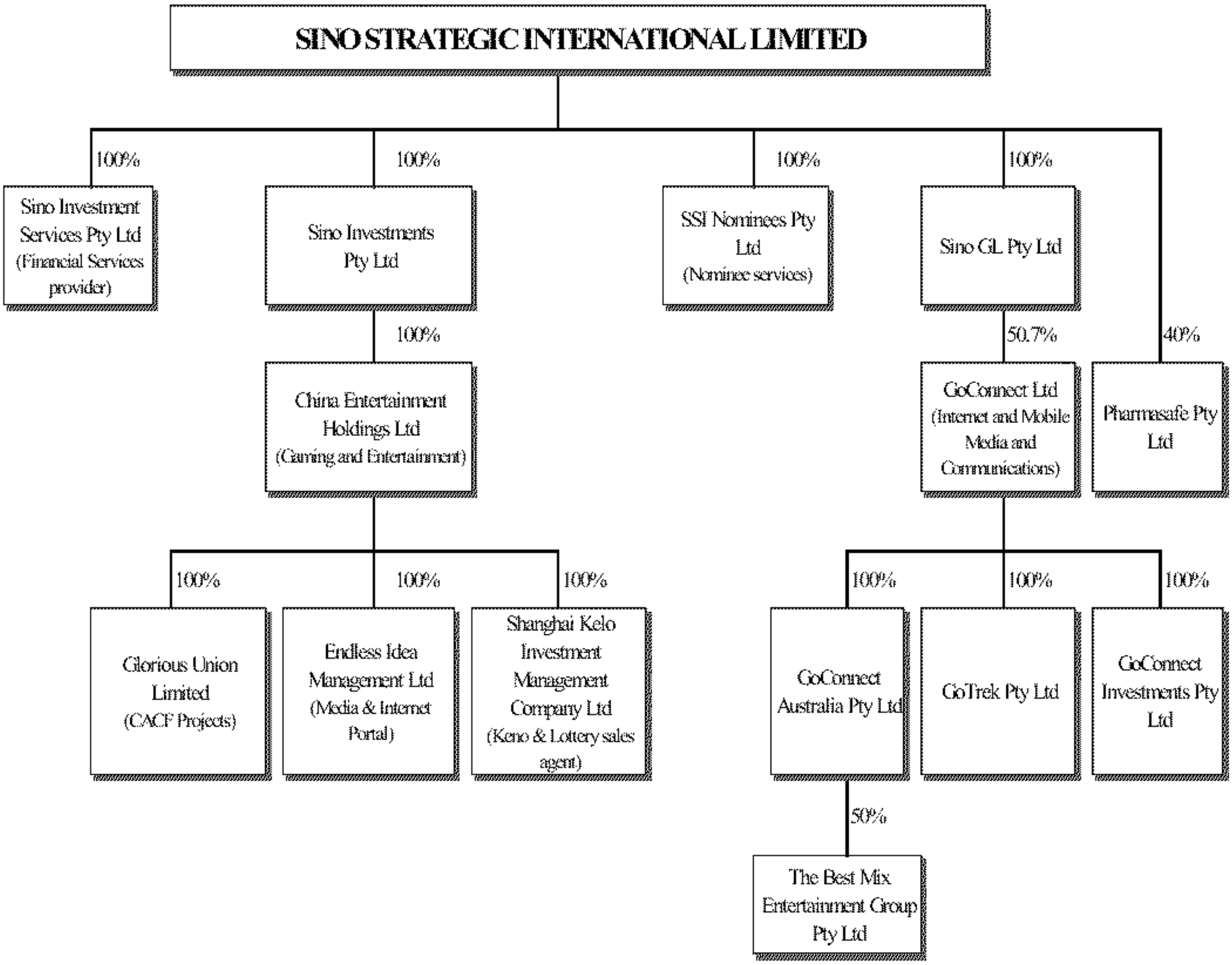


Weekly Share Price Performance of Sino Strategic International Limited ("SSI") (From 3 January 2003 to 15 September 2006)



THE SINO GROUP OF COMPANIES

Sino Strategic International Limited is the holding company of the Sino Group of companies. The corporate structure of the Sino Group of operating companies as at 15 September 2006 is shown below.



CORPORATE GOVERNANCE STATEMENT

This statement outlines Sino Strategic International Ltd's ("the Company") main corporate governance practices that were in place throughout the financial year ended 30 June 2006, 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 skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' report.

The independent directors of the Company are: Mr. Man Ban Lee and Mr. Peter J Gillooly.

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.

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.

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 Managing Director of the Group is Mr. Theodore C T Cheng who is also the Chairman and Chief Executive Officer of the Group.

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 Policies

The Company does not have a remuneration committee. The remuneration policy has been determined by the Board. The Board reviews the performance and salary of the Group's Chief Executive Officer ("CEO") and the Chief Operating Officer ("COO"), Australia. The CEO and COO in turn review the executive officers' performance and salaries in Hong Kong/China and Australia respectively. There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Trading Policy

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.

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.

Audit Committee

The Board does not have a formal audit committee. All significant matters which would otherwise be dealt with by an audit committee are dealt with by the full Board. The CEO and the COO 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 COO 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.

Gaming Committee

The Board has a gaming committee which reviews the performance of the gaming operation from time to time and establishes strategy for this division. The committee meets informally from time to time.

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.

DIRECTORS' REPORT

The Directors of Sino Strategic 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 2006.

DIRECTORS

The names 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.

- Mr. Theodore C T Cheng *(appointed on 31 October 2005)*
- Mr. Richard Li
- Mr. Peter J Gillooly *(appointed on 31 October 2005)*
- Mr. Ian A Johnston
- Mr. Man Ban Lee
- Mr. John C Wu *(appointed on 31 October 2005)*
- Mr. Edwin H M Yuen *(appointed on 31 October 2005)*
- Ms. Katherine Cheng *(Alternate for Mr. M B Lee)*
- Mr. Bruce L Mathieson *(appointed on 31 October 2005, resigned and ceased on 16 May 2006)*

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

- Ms. Samantha Tse – Bachelor of Economics majoring in accounting. Ms. Tse has worked for the Sino group for the past 13 years and is responsible for the financial accounting and corporate secretarial functions of the Group. She was appointed company secretary of the Group in 1996.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were:

- provision of a range of financial services;
- equity investment;
- distribution of Internet and mobile media via GoTrek technology and provision of ISP services; and
- gaming business.

The following significant changes in the nature of the principal activities occurred during the financial year:

- subsequent to the acquisition of China Entertainment Holdings Ltd in November 2005, the Consolidated Entity commenced its gaming business in China.

Other than as mentioned above, there were no significant changes in the nature of the Consolidated Entity's activities during the year.

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 2006 amounted to $6,018,539 (2005: $1,279,431 loss).

DIVIDENDS

The Directors do not recommend the declaration of a dividend for the year ended 30 June 2006.

REVIEW OF OPERATIONS

In the financial year ended 30 June 2006, consolidated revenue increased by 91% to $1,930,288 from $1,012,520 for the previous corresponding year. Consolidated net loss attributable to shareholders increased to $6,018,539 from a loss of $1,279,431 for the previous corresponding year.

The increase in the consolidated net loss was mainly attributable to:

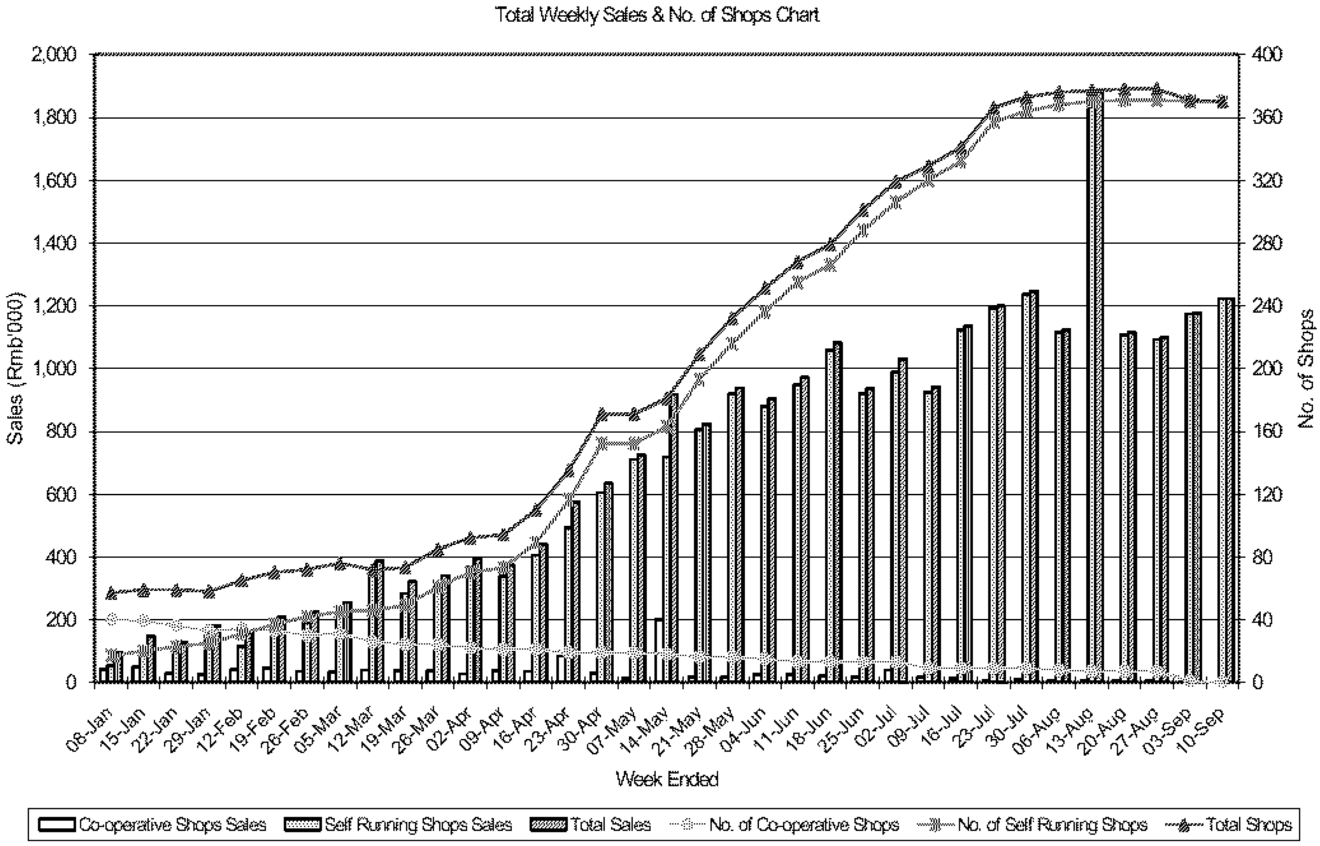
- the inclusion of the new gaming and entertainment business in China since its acquisition in November 2005. The initial expenditure involved in capitalising on the gaming opportunities resulted in a net loss of $3,415,733; and
- the accounting for the value of options granted during the financial year of $1,335,840 as required under the Australian Equivalents to International Financial Reporting Standards adopted for the period.

The Consolidated Entity operates its businesses via a number of divisions: Gaming, Financial Services, Internet and Mobile Media and Communications, and Equity Investments.

- **Gaming Division**

At the extraordinary general meeting held on 31 October 2005, shareholders approved the Company's proposed acquisition of 100% interest of China Entertainment Holdings Ltd ("CEH") and its controlled entities (together "CEH group") from Best Winning Investment Limited. The operating results for the financial year ended 30 June 2006 incorporated CEH group's operating results for the period from 3 November 2005 to 30 June 2006.

Since the acquisition of the CEH group, the CEH group has focused its attention on rolling out 750 Keno and Lotto Points-of-Sale ("POS"). As at the date of this report, CEH group has 370 POS in the City of Shanghai retailing Lotto and Keno games as agent for the Shanghai Welfare Lottery Issuing Centre. Sales of Keno and Lotto products have been growing at an exponential rate since the beginning of 2006. The chart below illustrates CEH group's weekly sales performance since the beginning of 2006. However, until the 750 POSs have been rolled out completely, weekly sales to-date may not be representative of the longer term sales performance of this division.



REVIEW OF OPERATIONS (continued)

- **Gaming Division** (continued)

CEH is also trialling outlets operating Video Lottery Terminals or slot machines ("VLTs") with the intention of opening further outlets focussing exclusively on VLTs as well as utilising VLTs in other venue types.

While rapidly establishing its gaming and entertainment business in Shanghai, CEH group has also developed its business plan to expand its gaming and entertainment interests nationwide with the Shanghai business acting as the model for nationwide expansion.

A significant development in this regard is the announcement of a Memorandum of Cooperation ("Memorandum") between CEH and the national charity China Aged Care Fund ("CACF") to jointly establish the CACF Charity Poker Club and develop CACF Multi-function Entertainment Centres ("MECs") across China.

CACF was founded in July 2005 under the auspices of the China Aging Development Foundation ("CADF"). It is a non-profit organization incorporated with the blessing of the political leaders. The objective of the fund is to raise funds in China and from abroad to finance welfare activities for the helpless and the elderly. The mission was propounded in the Eleventh Five Year Plan of the Central Government and is chaired by four respected Chinese leaders.

CACF has an objective of delivering multiple community retirement property development projects that will include MECs among other retirement and commercial facilities, in 50 major cities across China. The Congress has issued decrees to various provincial and local municipalities to provide free allocated land to CACF to assist with these objectives.

In order to finance these prospective community facilities CACF intends to operate local and international poker tournaments, through the development of the Charity Poker Club as a means of generating income for CACF via collection of poker tournament entry fees. CACF will be responsible for securing the approvals from relevant government authorities including the General Administration of Sports, the Cultural Ministry, and the Ministry of Civil Affairs to ensure that the partnership has the appropriate licences and support to operate the CACF Charity Poker Club for conducting poker tournaments in China.

Since CEH has established its reputation as the largest retail gaming sales agency business in China, under the Memorandum, CACF has agreed to partner with CEH to implement its business programs in return for revenue sharing between the partners. CEH will bring to the partnership its gaming and entertainment retail network. CEH will provide support to both land based and online tournaments with video poker terminal installations under the CACF brand.

As a result of this arrangement with CACF, significant business opportunities will be opened up for CEH, including:

- MEC development
- Poker Tournament Events.
- Poker Tournament operating rights leading to land-base competitions and online competitions, with further expansion into Virtual Private Network ("VPN") intranet video poker terminals. In so doing, a new gaming network in China will be created.
- Poker Tournament for CACF charity programs will extend into thousands of existing card rooms in all major cities. A franchised network will be developed under the CACF brand name.
- Leveraging on the CACF Charity Poker Tournament intellectual property rights, new consumer products will be developed to enhance the value of the CACF national brand.

While the purchase of CEH, which makes the Parent Entity the only major listed provider of gaming services in China, has transformed the business focus and profit potential of the Group, the other divisions continue to operate with undiminished vigour and attention.

- **Financial Services Division**

Sino Investment Services Pty Ltd ("SIS"), a wholly owned subsidiary licensed under the Australian Financial Services Reform legislation, offers a range of expert investment and related financial services.

SIS's total revenue improved by 284% to $1,840,653 for the year ended 30 June 2006 compared to $479,433 of the previous corresponding year due to a better performance in the overall share market and additional corporate activities. Of the total revenue, $1,477,146 was related to inter-company transaction compared to $240,563 of the previous corresponding year.

REVIEW OF OPERATIONS (continued)

- **Internet and Mobile Media and Communications Division**

As at 30 June 2006, the Consolidated Entity had 50.7% interest in GoConnect Ltd group ("GCN group"), the Internet and Mobile Media and Communications division.

GCN group's consolidated net loss tax attributable to shareholders increased by 7.3% to $1,768,683 compared to a loss of $1,647,758 in the previous corresponding year. This increase in net loss was mainly attributed to the introduction of new accounting policies resulting in:

- $107,505 recognised as an expense in accordance with Accounting Standard AASB2 in the year for share options issued to directors and employees, and
- $32,801 of provision for long service for staff who had been working with GCN group for over 6 years.

GCN group operated in the Internet and mobile media communications industry and has a global multiple revenue media strategy. The operating loss for the year under review was attributable to:

- the developmental nature of the online and mobile media businesses;
- continuing research and development of the GoTrek IPTV technology;
- expenses in securing and aggregation of video programs; and
- the establishment of additional international distribution channels.

GCN group's subscription revenue from the ISP service decreased during the reporting period, which reflected the shift in the Internet market from dial-up connections to broadband and the intense competition in the market for broadband subscribers.

In December 2004, GCN group 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 group's m-Vision mobile video services to the Indian market. This was followed in September 2005 with an agreement on the adoption and marketing of the patented GoTrek IPTV technology. Based on the strength of The Times Group in media generally and its domination of mobile media in particular, we expected that these initiatives would increase GCN group's subscriber base significantly. However, despite GCN group's efforts and persistence, progress has been hampered by the constant change of management personnel at The Times Group, leading to inaction in marketing effort by GCN group's Indian partner. This inaction has significantly dented GCN group's earlier optimism for the Indian expansion. Despite the slow progress, GCN group is continuing to gain subscribers and new viewers albeit at a less than satisfactory pace. Continuing efforts are being made to address the problems associated with our Indian expansion.

During this period, GCN group made significant inroads into the business of advertising sales representation and can now lay claim to be the biggest advertising sales representative company in Australia for the gay and lesbian media both here in Australia and in Asia (clients include 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 months.

In August 2006, GCN group and QSoft Consulting Limited jointly launched GaydarDirect, the world's first global gay and lesbian online business directory service. QSoft is the owner of the Gaydar brand, the leading gay media in Europe. GaydarDirect will enable 3.5 million unique users of Gaydar across the world to search for gay-friendly goods and services in the one place. GCN group will use its technical expertise in online search and databases, including Direct Assist to manage the GaydarDirect website. GCN group is the exclusive sales agent of GaydarDirect listings for Australia, New Zealand, China, Macau, Hong Kong, Singapore and Malaysia while it will also share revenue with Qsoft for the rest of the world. The management of GCN group believes this project is the source of a significant new revenue stream for the current year.

GCN group has been working closely with the Parent Entity to establish a presence for its GoTrek IPTV platform in the Chinese market. With over 100 million Internet users in China and the Parent Entity's control over the provision of content to the only licensed gaming broadcast channel in China, the Lucky Channel, GoTrek IPTV is well placed to assist the Parent Entity's gaming strategy in China with the distribution of the Lucky Channel to the massive Chinese Internet population. At the same time, GCN group is working closely with the Parent Entity to be its preferred technology partner in the expansion of the Parent Entity's gaming business in China. This close working relationship is expected to generate a new income stream to GCN group within the next 12 months.

GCN group is now firmly focused on marketing its portfolio of media products to lift operational revenue. Continuing efforts are made in establishing the GoTrek and m-Vision platforms, Direct Assist and the gaming technologies in the international market, in particular, China.

REVIEW OF OPERATIONS (continued)

- **Equity Investments Division**

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

In August 2005, GCN group 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 the exclusive Internet distribution agent for Pharmasafe products in return for a revenue share on sales.

The first product that will 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. Pharmasafe has obtained an approval from the Australian Therapeutic Goods Administration ("TGA") for Liver Bioguard for sale as a listed product. Liver Bioguard helps to restore the human liver, affected by viral infections such as Hepatitis B and C, and chemicals, to normal conditions. Hepatitis B and C infect an estimated 520 million people worldwide. Additional products for distribution by Pharmasafe will be secured from Professor Lin's portfolio of existing TGA approved products.

The agreement with Pharmasafe demonstrates how GCN group is able to capitalise on its capability to generate additional income. During the period under review, GCN group conducted an online advertising campaign for Pharmasafe to test the market for Liver Bioguard, and achieved outstanding results. The positive results have given the confidence to Pharmasafe to commence the production of its unique product Liver Bioguard, which will be available for despatch to customers by end of November 2006.

FINANCIAL POSITION

The net assets of the Consolidated Entity increased to $118,961,860 as at 30 June 2006, an increase of $120,007,978 compared with previous corresponding period's deficiency of $1,046,118. This increase was largely due to the following factors:

- the recognition of goodwill on acquisition of CEH group of $70,685,171;
- the intangible assets of CEH group of $28,777,635; and
- proceeds from issue of new fully paid ordinary shares in the Parent Entity.

The Consolidated Entity's working capital, being current assets less current liabilities, has improved from a negative working capital of $1,136,723 in 2005 to a positive working capital of $10,854,032 in 2006.

The Directors believe the Group enters the new financial year with a healthy financial position and strong impetus in all areas of operations but are particularly buoyed by the opportunities which are available within the China gaming operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 2 November 2005, the Company issued 32,150,000 fully paid ordinary shares at the closing share price of $3.05 each to Best Winning Investment Limited ("Best Winning") as the full consideration for the acquisition of 100% interest in CEH group, the new gaming division of the Consolidated Entity, from Best Winning. These shares have been placed under escrow and the expiry date of the escrow is 2 November 2007.

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.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian Equivalents to International Financial Reporting Standards ("AIFRS"), the Company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in *Note 2* to the attached annual report.

AFTER BALANCE DATE EVENTS

Since the end of the financial year and up to the date of this report, the Company has issued a total of 400,000 options for shares with an exercise price of $5.00 per option to the members of the International Advisory Board.

On 14 July 2006, the Consolidated Entity acquired 100% interest in Endless Idea Management Ltd for a consideration of A$513,321 (HK$3,000,000).

Except for the above mentioned event, 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Information on likely developments, prospects and business strategies is included in the "Review of Operations" section in this Directors' report. The Directors are of the opinion that any further disclosures in relation to the Parent Entity's and/or the Consolidated Entity's likely developments, 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.

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.

INSURANCE OF OFFICERS

The Parent Entity maintains a directors' and officers' indemnity insurance policy for the benefit of the Directors and executive officers of the Consolidated Entity. This insurance policy grants indemnity against liabilities permitted to be indemnified by the Consolidated Entity under section 199B of the *Corporations Act 2001*. The policy prohibits disclosure of the premium payable.

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.

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.

INFORMATION ON DIRECTORS

Mr. Theodore C T Cheng	–	Chairman (Executive) Chief Executive Officer of the Group
Qualifications	–	High certificate of Electronics and Electrical Engineering (Polytechnic University of Hong Kong).
Experience	–	Appointed as Chairman in October 2005 and CEO of the Group in March 2006. Board member since October 2005. Mr. Cheng is the CEO of Horizon Investment Group Ltd which is primarily engaged in investments in China. Mr. Cheng is also the founder and CEO of the Horizon Structured Solutions Limited and Horizon ABS China Holdings Limited which are engaged in financial services business, providing import and export finance to traders between USA and China. Mr. Cheng is also a director of China Entertainment Holdings Ltd. Mr. Cheng is currently a financial advisor to various provincial governments of China.
Interest in Shares and Options	–	32,150,000 restricted shares and 5,500,000 fully paid ordinary shares and 300,000 options in Sino Strategic International Limited. Mr. Cheng is the sole shareholder of Best Winning Investment Limited, a substantial shareholder of the Company, which holds the 32,150,000 restricted shares.
Special Responsibilities	–	Mr. Cheng leads the Board, and is responsible for the Board's workings and proceedings as Chairman and is also responsible for implementing the Group's strategies and policies and the conduct of the Company's business as the CEO. Mr. Cheng is a Member of the Gaming Committee.
Directorships held in other listed entities within the last 3 years	–	N/A

Mr. Richard Li	–	Director – Group Corporate Strategy (Executive) Chief Operating Officer, Australia
Qualifications	–	Bachelor of Business (RMIT University)
Experience	–	Board member since April 1987, 19 years service with Sino Strategic International Limited. Managing Director from April 1987 to March 2006. Mr. Li was appointed as Chief Operating Officer, Australia in March 2006. Mr. Li 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, Mr. Li 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. Mr. Li 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.
Interest in Shares and Options	–	3,300,000 partly paid shares and 100,000 options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Li is responsible for the Group corporate strategy and planning and developing strategic alliances. Mr. Li is also responsible for managing Australian operations of the Group.
Directorships held in other listed entities	–	GoConnect Limited (since 26 August 1999)

INFORMATION ON DIRECTORS (continued)

Mr. Peter J Gillooly	–	Director (Non-executive)
Qualifications	–	Member of the Economic Development Board of Tasmania Fellow of the Australian Institute of Company Directors
Experience	–	Board member since October 2005. Mr. Gillooly was formerly the Chief General Manager of Tattersall's Ltd, responsible to the board for the total operation of all Tattersall's enterprises. He was employed with Tattersall's from 1984 to 2000. Mr Gillooly retired from Tattersall's on 30 June 2000. Prior to joining Tattersall's, Mr Gillooly was the CEO of Housing Guarantee Fund Ltd. Currently, Mr Gillooly is also a non-executive director of Acuix Ltd, non-executive chairman of Bellwether Group Ltd (a boutique funds manager), and non-executive chairman of Environ Capital Management Ltd (a trustee company).
Interest in Shares and Options	–	300,000 share options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Gillooly is a Member of the Gaming Committee.
Directorships held in other listed entities	–	N/A

Mr. Ian A Johnston	–	Direction – Operations (Executive)
Qualifications	–	Bachelor of Business (Banking & Finance) Advanced Diploma of Financial Services (Financial Planning)
Experience	–	Board member since September 2001. 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.
Interest in Shares and Options	–	99,500 fully paid ordinary shares and 100,000 share options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Johnston is the General Manager, Operations of the Group and is responsible for managing all financial services activities of the Group. .
Directorships held in other listed entities	–	N/A

Mr. Man Ban Lee		Director (Non-executive)
Qualifications	–	SBS, MBE, FCPA(Practising), FCPA (Aust.), FCIS, JP
Experience	–	Board member since April 1987. 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.
Interest in Shares and Options	–	1,000,500 fully paid ordinary shares and 100,000 share options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Lee is responsible for the Group's corporate governance issue and accounting matters.
Directorships held in other listed entities	–	Canada Land Limited (since 2 April 1993)

INFORMATION ON DIRECTORS (continued)

Mr. John C Wu	–	Director (Non-executive)
Qualifications	–	Bachelor of Business (University of San Francisco, California, USA) Master of International Trade (University of San Francisco, California, USA)
Experience	–	Board member since October 2005. Mr. Wu has over 20 years experience in the areas of enterprise management and capital raising in the USA, China and Hong Kong. Mr. Wu is a director of China Entertainment Holdings Ltd.
Interest in Shares and Options	–	100,000 share options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Wu is responsible for project management in relation to Chinese operations.
Directorships held in other listed entities	–	N/A

Mr. Edwin H M Yuen	–	Director (Non-executive)
Qualifications	–	Bachelor of Arts (University of Hong Kong) Master of Laws (comparative Chinese laws) (City University of Hong Kong)
Experience	–	Board member since October 2005. Mr. Yuen has over 15 years experience in banking and held senior managerial positions in a number of banks in Hong Kong. Mr. Yuen is a director and the Chief Executive Officer of China Entertainment Holdings Limited ("CEH"). Prior to joining CEH, Mr. Yuen was the Chief Financial Officer and Executive Director of a publicly listed investment company in Hong Kong. The investment company was engaged in investment in properties, hotels, telecommunication, Internet and healthcare services. Mr. Yuen was formerly a registered Investment Advisor of the Securities and Futures Commission of Hong Kong.
Interest in Shares and Options	–	300,000 share options in Sino Strategic International Limited.
Special Responsibilities	–	Mr. Yuen is the Chief Executive Officer of China Entertainment Holdings Ltd which is the holding company of the Group's Chinese gaming operation.
Directorships held in other listed entities	–	N/A

Ms. Katherine Cheng	–	Alternate Director representing Mr. M B Lee (Non-executive)
Qualifications	–	CPA(Practising), M.Com., CPA(Aust), FCIS
Experience	–	Ms. Cheng is a practising accountant in Hong Kong.
Interest in Shares and Options	–	N/A
Directorships held in other listed entities	–	N/A

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 its controlled entities, except otherwise stated. Currently, the board sets the remuneration package applicable to the CEO and COO of the Parent Entity. The CEO and COO who in turn review remuneration for other executive officers, including base salary, superannuation benefits and fringe benefit policies.

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 fixed remuneration which are payable in a variety of forms including cash and fringe benefits, superannuation and bonuses at directors' discretion. No variable or performance based remuneration was offered to the executive directors and officers of the Parent Entity during the financial year. The Board intends to implement an employee share option plan which will be tabled at the next Annual General Meeting for shareholders' approval.

The executive directors and officers receive a superannuation guarantee contribution required by the government which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executive management is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at an Annual General Meeting. The current approved maximum aggregate amount of fees is $50,000. Fees for non-executive directors are not linked to the performance of the Consolidated 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.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. During the financial year, the Company issued share options to all directors and executives of the Parent Entity to encourage the alignment of personal and shareholder interests.

The following table shows the profits (losses) and earnings per share for the past five years (including the financial year ended 30 June 2006) 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.

	2002	*2003*	*2004*	*2005*	*2006*
Revenue ($'000)	2,418	1,903	1,816	1,013	1,930
Net Profits (Losses) ($'000)	(2,850)	(1,047)	(2,716)	(1,279)	(6,018)
Share price at year-end	$0.67	$0.21	$0.23	$3.40	$3.29

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
Mr. P L Thomson *(commenced on 23 May 2006)*	General Manager – Corporate	Sino Investment Services Pty Ltd
Ms. S Tse	Financial Accountant and Company Secretary	Sino Investment Services Pty Ltd

REMUNERATION REPORT (continued)

Details of remuneration for year ended 30 June 2006

The remuneration for each director and each of the five executive officers of the Consolidated Entity receiving the highest remuneration during the year was as follows:

	Salary & Fees	Super-annuation contribution	Cash bonus	Non-cash benefits	Options	Total
	$	$	$	$	$	$
Directors						
Mr. T C T Cheng (i)	37,746	769	–	352	306,221	345,088
Mr. R Li (ii)	189,856	17,087	–	19,185	91,058	317,186
Mr. P J Gillooly	17,500	1,575	–	–	306,221	325,296
Mr. I A Johnston	103,615	10,225	10,000	7,246	68,816	199,902
Mr. M B Lee	–	–	–	–	68,816	68,816
Mr. J C Wu (i)	49,907	827	–	352	68,816	119,902
Mr. E H M Yuen (i)	19,836	827	–	13,470	306,221	340,354
Ms. K Cheng	–	–	–	–	–	–
	418,460	31,310	10,000	40,605	1,216,169	1,716,544
Specified Executives						
Dr. W Wen	143,321	12,899	–	–	7,414	163,634
Mr. A Voglis	113,889	10,250	–	–	7,414	131,553
Mr. E Li	107,115	9,640	–	–	7,414	124,169
Mr. P L Thomson (ii)	45,870	7,278	–	–	22,242	75,390
Ms. S Tse	66,593	6,893	10,000	5,837	34,408	123,731
	476,788	46,960	10,000	5,837	78,892	618,477

(i) Includes directors' fees, superannuation and other non-cash benefits paid and/or payable by China Entertainment Holdings Ltd ("CEH") as CEH's directors.

(ii) Includes directors' fees, superannuation and share-based payments paid and/or payable by GoConnect Ltd ("GCN") as GCN's directors.

Options issued as part of remuneration for the year ended 30 June 2006

Unless otherwise stated, options are issued by Sino Strategic International Limited to directors and executives of the Parent Entity and the Consolidated Entity as part of their remuneration. During the financial year, the options were not issued based on performance criteria, but were issued to directors and executives of the Parent Entity and the Consolidated Entity to increase goal congruence between executives, directors and shareholders. Upon the implementation of the Parent Entity's employee share option plan, eligible employees of the Consolidated Entity will be entitled to participate in the Parent Entity's employee share option plan.

	Granted No.	Options Granted as part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
		$	%	$	($)	$
Directors						
Mr. T C T Cheng	300,000	306,221	89	–	–	306,221
Mr. R Li	100,000	68,816	22	–	–	68,816
	* 600,000	22,242	7	–	–	22,242
Mr. P J Gillooly	300,000	306,221	94	–	–	306,221
Mr. I A Johnston	100,000	68,816	34	–	–	68,816
Mr. M B Lee	100,000	68,816	100	–	–	68,816
Mr. J C Wu	100,000	68,816	57	–	–	68,816
Mr. E H M Yuen	300,000	306,221	90	–	–	306,221
Ms. K Cheng	–	–	–	–	–	–
Specified Executives						
Dr. W Wen	* 200,000	7,414	5	–	–	7,414
Mr. A Voglis	* 200,000	7,414	6	–	–	7,414
Mr. E Li	* 200,000	7,414	6	–	–	7,414
Mr. P L Thomson	* 600,000	22,242	30	–	–	22,242
Ms. S Tse	50,000	34,408	28	–	–	34,408

* *These options were granted by GoConnect Ltd, a controlled entity, to take up shares in GoConnect Ltd.*

\# *During the financial year, 300,000 options were granted to Mr. B L Mathieson on 31 October 2005. The options were cancelled subsequent to Mr. Mathieson's resignation and cessation as director of the Company on 16 May 2006.*

REMUNERATION REPORT (continued)

Employment contracts of executive directors and officers

In general, the employment contracts provide for base salaries, performance based bonuses, bonuses at directors' discretion, superannuation, other benefits, participation in the employee share option plan (if provided), and termination procedures. The employment contracts stipulate a range of 1-month to 3-month resignation periods. Subject to individual employee's employment contract with the corresponding controlled entities/employers ("the Employer"), the Employer may terminate an employment contract without cause by providing 1-month to 3-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, the Employer can terminate the employment contracts at any time.

INTERNATIONAL ADVISORY BOARD

An International Advisory Board ("IAB") has been established to advise the Parent Entity's Board of Directors from time to time on the Company's international businesses and relationships. The IAB can be expected to introduce the Company to major international companies for establishment of strategic alliances to help market the Company's gaming products and promote customer traffic between each other, and development of new business opportunities. Information on the current members of the IAB are as follows:

Mr. Roger H De Lima

Mr. De Lima has had over 30 years experience in international gaming marketing and operational management. Mr. De Lima's gaming experience spans from Australia to Las Vegas, Monte Carlo, London, Iran and to the Pacific Rim. Mr. De Lima is well known and respected within the global gaming industry and will be able to advise the Company not only on all matters in relation to the gaming industry but he will be invaluable in opening many doors for the Company to senior management of major international gaming companies.

Mr. Ricky Lei

Mr. Lei is a pioneer of the Chinese IT industry. Ricky was the founder and head of Hewlett Packard's personal computer and peripheral business in China, growing it within 12 years from concept to a US$800 million annual revenue business by the time he left HP in 1999. Mr. Lei is currently the chairman and CEO of Hinge Software, a software company he founded in 2003. Within 3 years, Hinge Software has already become a major Chinese software company employing over 1,500 staff in China and the United States. Mr. Lei's IT expertise will be invaluable in assisting the Group's implementation of its IT solutions.

Dato' Lim Kim Wah

Dato' Lim was the former Group CEO of Magnum Corporation Berhad of Malaysia. With a market capitalization of Malaysian Ringgit 2.98 billion (A$1.1 billion), Magnum is one of the largest gaming companies in the world. Magnum is principally engaged in the gaming business, being the pioneer and market leader in the Malaysian authorized gaming industry. Dato' Lim's involvement with the Company will add significantly greater depth and gaming operational expertise to the existing Board of Directors.

Mr. Rhoderic C Whyte

Mr. Whyte is an Australian expatriate based in London and has been involved in various international emerging markets over the past 30 years. Mr. Whyte was a founder and director of TC Coombs & Co and there provided stock broking and corporate advisory services to natural resources, media and technology companies in Australia, South East Asia, Canada and Europe for 12 years. Mr. Whyte is presently Chairman of Moneta Porcupine Mines Inc., a Canadian mining exploration company listed on the Toronto Stock Exchange since 1910 and of EastWest Timber AS, a Baltic timber group with forest concessions in Russia and timber processing facilities in Estonia. Mr. Whyte was for many years corporate consultant to ASX and AIM listed Hardman Resources and advised on the successful listing of that company on the London Stock Exchange AIM market. Mr. Whyte will advise on the dual listing of the Parent Entity on the AIM market.

MEETINGS OF DIRECTORS

During the financial year, 17 meetings of directors were held. Attendances by each director during the year were as follows:

	Number eligible to attend	Number attended
Mr. T C T Cheng	10	9
Mr. R Li	17	17
Mr. I A Johnston	17	17
Mr. P J Gillooly	10	10
Mr. M B Lee	17	16
Mr. B L Mathieson *	8	7
Mr. E H M Yuen	10	10
Mr. J C Wu	10	6

* *Mr. Mathieson resigned and ceased to be a director of the Company on 16 May 2006.*

OPTIONS

At the date of this report, the following options are granted over unissued ordinary shares of Sino Strategic International Limited:

Grant Date	Date of Expiry	Exercise Price	Number of Options granted
31 Oct 2005	31 Oct 2008	$2.50	600,000
31 Oct 2005	31 Oct 2008	$5.00	750,000
4 Jul 2006	4 Jul 2009	$5.00	400,000
			1,750,000

During the financial year, 300,000 options were granted to Mr. B L Mathieson as director. Subsequent to Mr. Mathieson's resignation and cessation as director of the Company on 16 May 2006, these 300,000 options were cancelled.

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 18.

Signed in accordance with a resolution of the Directors.

RICHARD LI
DIRECTOR
Dated at Melbourne this 27th day of September 2006

AUDITOR'S INDEPENDENCE DECLARATION

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

a) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI

BENTLEYS MRI
CHARTERED ACCOUNTANTS

SCOTT PHILLIPS
PARTNER

Dated this 28th day of September 2006

INCOME STATEMENT

For the year ended 30 June 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue	3	**1,336,392**	1,012,520	**215,235**	17,077
Other income	3	**593,896**	–	–	–
		1,930,288	1,012,520	**215,235**	17,077
Financial services expenses		**(93,747)**	(55,091)	–	–
Virtual Internet Service network operating expense		**(148,939)**	(203,174)	–	–
Marketing expense		**(107,108)**	(37,007)	–	–
Employee benefits expense		**(2,982,179)**	(1,985,444)	**(17,500)**	–
Depreciation and amortisation expense		**(299,544)**	(115,142)	–	–
Research and development expense		**(8,071)**	(3,382)	–	–
Impairment of investments		–	(1,611)	–	–
Share-based payment expense		**(1,335,840)**	–	**(1,228,335)**	–
Other expenses		**(3,821,716)**	(798,018)	**(622,350)**	(277,411)
Finance costs		**(21,332)**	–	–	–
Share of net profits (losses) of associates		**(1,604)**	1,601	–	–
Loss before income tax expense	4	**(6,889,792)**	(2,184,748)	**(1,652,950)**	(260,334)
Income tax expense	5	–	–	–	–
Loss for the year		**(6,889,792)**	(2,184,748)	**(1,652,950)**	(260,334)
Loss attributable to minority equity interest		**871,253**	905,317	–	–
Loss attributable to members of the Parent Entity		**(6,018,539)**	(1,279,431)	**(1,652,950)**	(260,334)
Basic earnings (loss) per share	9	**(13.2) cents**	(8.6) cents		
Diluted earnings (loss) per share	9	**(12.6) cents**	(8.6) cents		

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 30 June 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	**10,646,220**	38,588	**2,832,488**	130
Trade and other receivables	11	**483,445**	124,308	**1,271,676**	224,354
Financial assets	12	**162,000**	162,000	–	–
Other current assets	17	**1,169,676**	34,978	**4,320**	106
TOTAL CURRENT ASSETS		**12,461,341**	359,874	**4,108,484**	224,590
NON-CURRENT ASSETS					
Trade and other receivables	11	**1,540,194**	–	–	–
Financial assets	12	–	–	**121,830,196**	1,746,575
Investments accounted for using the equity method	13	**219**	1,823	**40**	40
Property, plant and equipment	15	**9,178,619**	88,899	–	–
Intangible assets	16	**99,462,806**	–	–	–
Other non-current assets	17	**2,006,825**	–	–	–
TOTAL NON-CURRENT ASSETS		**112,188,663**	90,722	**121,830,236**	1,746,615
TOTAL ASSETS		**124,650,004**	450,596	**125,938,720**	1,971,205
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	18	**1,127,745**	1,100,512	**713,629**	1,311,450
Short-term borrowings	19	**207,854**	–	–	–
Short-term provisions	20	**271,710**	396,085	–	–
TOTAL CURRENT LIABILITIES		**1,607,309**	1,496,597	**713,629**	1,311,450
NON-CURRENT LIABILITIES					
Long-term borrowings	19	**3,897,251**	–	–	–
Long-term provisions	20	**183,584**	117	–	–
		4,080,835	117	–	–
TOTAL LIABILITIES		**5,688,144**	1,496,714	**713,629**	1,311,450
NET ASSETS (DEFICIENCY)		**118,961,860**	(1,046,118)	**125,225,091**	659,755
EQUITY					
Issued capital	21	**136,884,433**	11,248,753	**136,238,704**	11,248,753
Reserves	22	**17,273,914**	16,643,873	**1,229,335**	1,000
Accumulated losses		**(35,196,487)**	(28,938,744)	**(12,242,948)**	(10,589,998)
Parent interest		**118,961,860**	(1,046,118)	**125,225,091**	659,755
Minority equity interest	2a	–	–	–	–
TOTAL EQUITY (DEFICIENCY)		**118,961,860**	(1,046,118)	**125,225,091**	659,755

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

Consolidated Entity

	Share capital ordinary	Accumulated losses	Reserves: General	Reserves: Forfeited shares	Reserves: Foreign currency translation	Reserves: Options	Minority equity interest	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2004	11,248,753	(27,659,313)	16,641,873	2,000	-	-	45,156	278,469
Loss attributable to members of the Parent Entity	-	(1,279,431)	-	-	-	-	-	(1,279,431)
Loss attributable to minority shareholders	-	-	-	-	-	-	(905,317)	(905,317)
Increase in Minority Interest in a controlled entity's share capital	-	-	-	-	-	-	860,161	860,161
Balance at 30 June 2005	**11,248,753**	**(28,938,744)**	**16,641,873**	**2,000**	**-**	**-**	**-**	**(1,046,118)**
Issue of share capital	126,075,627	-	-	-	-	-	-	126,075,627
Transaction costs	(439,947)	-	-	-	-	-	-	(439,947)
Loss attributable to members of the Parent Entity	-	(6,018,539)	-	-	-	-	-	(6,018,539)
Loss attributable to minority shareholders	-	-	-	-	-	-	(871,253)	(871,253)
Transfer to General Reserve	-	(239,204)	-	-	-	-	-	(239,204)
Adjustments from translation of foreign controlled entities	-	-	-	-	(892,046)	-	-	(892,046)
Share-based payment	-	-	-	-	-	1,282,883	52,957	1,335,840
Increase in Minority Interest in a controlled entity's share capital	-	-	-	-	-	-	1,057,500	1,057,500
Reduction of equity interest in a controlled entity	-	-	-	-	-	-	(239,204)	(239,204)
Transfer from Accumulated losses	-	-	239,204	-	-	-	-	239,204
Balance at 30 June 2006	**136,884,433**	**(35,196,487)**	**16,881,077**	**2,000**	**(892,046)**	**1,282,883**	**-**	**118,961,860**

Parent Entity

	Share capital ordinary	Accumulated losses	Reserves: Forfeited shares	Reserves: Options	Total
	$	$	$	$	$
Balance at 1 July 2004	11,248,753	(10,329,664)	1,000	-	920,089
Loss attributable to members of the Parent Entity	-	(260,334)	-	-	(260,334)
Balance at 30 June 2005	**11,248,753**	**(10,589,998)**	**1,000**	**-**	**659,755**
Issue of share capital	126,075,627	-	-	-	126,075,627
Transaction costs	(1,085,676)	-	-	-	(1,085,676)
Loss attributable to members of the Parent Entity	-	(1,652,950)	-	-	(1,652,950)
Share-based payment	-	-	-	1,228,335	1,228,335
Balance at 30 June 2006	**136,238,704**	**(12,242,948)**	**1,000**	**1,228,335**	**125,225,091**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 30 June 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash flows from operating activities					
Cash receipts in the course of operations		**1,277,933**	1,139,097	**910**	4,364
Cash payments in the course of operations		**(8,400,064)**	(2,837,110)	**(811,696)**	(49,609)
Interest received		**264,361**	8,430	**172,021**	–
Interest paid		**(56,138)**	–	**(1,138)**	–
Net cash (used in) operating activities	24	**(6,913,908)**	(1,689,583)	**(639,903)**	(45,245)
Cash flows from investing activities					
Proceeds from disposal of financial assets		**13,717**	79,004	–	–
Proceeds from disposal of property, plant & equipment		**16,364**	–	–	–
Purchase of property, plant and equipment		**(8,608,395)**	(5,288)	–	–
Payment for investment in controlled entities		–	–	**(16,124,939)**	–
Payment for investment in financial assets		–	(100,884)	–	–
Repayment of loan by associated entities		**617,855**	–	–	–
Advances to associated entities		**(1,779,989)**	–	–	–
Repayment of loan by controlled entities		–	–	**137,969**	361,969
Advances to controlled entities		–	–	**(1,546,078)**	(105,883)
Net cash inflows resulting from acquisition of a controlled entity	14(b)	**1,285,111**	–	–	–
Net cash provided by (used in) investing activities		**(8,455,337)**	(27,168)	**(17,533,048)**	256,086
Cash flows from financing activities					
Proceeds from issue of ordinary shares		**22,775,627**	1,313,080	**21,718,127**	–
Transaction costs from issue of shares		**(439,947)**	–	**(1,085,676)**	–
Proceeds from borrowings		**4,135,031**	6,071	–	–
Repayment of borrowings		**(23,444)**	(70,000)	–	–
Advances from controlled entities		–	–	**573,970**	–
Repayment of advances from controlled entities		–	–	**(201,112)**	(210,964)
Net cash provided by (used in) financing activities		**26,447,267**	1,249,151	**21,005,309**	(210,964)
Net increase (decrease) in cash held		**11,078,022**	(467,600)	**2,832,358**	(123)
Cash at beginning of financial year		**38,588**	506,188	**130**	253
Effect of exchange rates on cash holding in foreign currencies		**(470,390)**	–	–	–
Cash at end of financial year	10	**10,646,220**	38,588	**2,832,488**	130

The accompanying notes form part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The accounting policies have been consistently applied, unless otherwise stated.

The consolidated financial statements are those of the Consolidated Entity, comprising Sino Strategic 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.

As this is the first full year financial report prepared under Australian Equivalents to International Financial Reporting Standards ("AIFRS"), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, the comparatives for the full year ended 30 June 2005 have been reviewed for any necessary restatement. A reconciliation of equity and profit and loss between previous GAAP and AIFRS has been prepared in *Note 2*. A summary of the significant accounting policies under AIFRS has been included below.

The Consolidated Entity experienced operating losses and negative operating cash flows during the year ended 30 June 2006. The Directors, however, are confident that the Consolidated Entity will be successful in generating revenue and cash flows by:

- generating revenue from existing and future corporate advisory/underwriting and private client services and investment activities,
- generating revenue from the new gaming and entertainment business,
- 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,
- accessing additional capital.

Accordingly, the Directors have prepared the financial report on a going concern basis.

(a) Principles of Consolidation

A controlled entity is any entity the Parent Entity has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity. Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax (continued)

The Parent Entity and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 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.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Leasehold land and buildings are shown at cost less depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of leasehold land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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.

	Effective life	*Depreciation method*
Leasehold Land	Over the lease term	Straight line
Buildings	2.5% per annum	Straight line
Motor vehicles	6	Diminishing value
Office and computer equipment	2 – 5	Straight line
Furniture and fittings	8	Straight line
Staff amenities	7	Straight line

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation is provided on all property, plant and equipment from the time the assets are held ready for use at rates calculated to allocate their cost against revenue over their estimated economic lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Consolidated Entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Consolidated Entity will obtain ownership of the asset or over the term of the lease.

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. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Consolidated Entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the Consolidated Entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Consolidated Entity assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of Assets
At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite useful lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Investments in Associates
Investments in associated companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the Consolidated Entity's share of past acquisition reserves of its associates.

(h) Interests in Joint Ventures
The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position.

The Consolidated Entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The Parent Entity's interests in joint venture entities are brought to account using the cost method.

(i) Intangibles
Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Gaming Rights

Gaming Rights are recognised at cost of acquisition. Gaming Rights have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortisation and any impairment losses.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Foreign Currency Transactions and Balances
Functional and presentation currency

The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign Currency Transactions and Balances (continued)
Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits
Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions
Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(m) Cash and Cash Equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue
Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Gaming revenue is recognised in the accounting period in which the services are rendered.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(o) Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) Earnings per share
Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Government grants
Government grants on Research & Development tax offset rebate are recognised as revenue when received.

(s) Share-based payment transactions
The Consolidated Entity provides benefits to directors and senior management (together "the employees") of the Consolidated Entity in the form of share-based payment transactions in order to secure the employees' interest in the Consolidated Entity and as an incentive for good performance.

The cost of these equity-settled transactions with the employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the number of share options that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest.

This opinion is formed based on the best available information at balance date. No expense is recognised for the share options that do not ultimately vest, except for share options where vesting is conditional upon a market condition. Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the equity-settled transaction is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(t) Comparative Figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments
The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Key Estimates — Impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of Goodwill for the year ended 30 June 2006. Should the projected turnover figures of CEH group be outside 90% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of Goodwill at 30 June 2006 amounting to $28,777,635.

No impairment has been recognised in respect of Gaming Rights for the year ended 30 June 2006. Should the projected turnover figures of CEH group be outside 90% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of Gaming Rights at 30 June 2006 amounting to $70,685,171.

No impairment has been recognised in respect of Property, Plant and Equipment for the year ended 30 June 2006.

NOTE 2 – FIRST-TIME ADOPTION OF AIFRS

Reconciliations of transition from previous Australian GAAP to Australian Equivalents to International Financial Reporting Standards ("AIFRS") have been included in this *Note 2.*

	Consolidated Entity		
Reconciliation of Equity at 1 July 2004	**Previous GAAP at 1July 2004 $**	**Effect of Transition of AIFRS $**	**AIFRS at 1 July 2004 $**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	506,188	-	506,188
Trade and other receivables	636,477	-	636,477
Financial assets	163,611	-	163,611
Other current assets	44,498	-	44,498
TOTAL CURRENT ASSETS	1,350,774	-	1,350,774
NON-CURRENT ASSETS			
Investments accounted for using the equity method	222	-	222
Property, plant and equipment	198,753	-	198,753
TOTAL NON-CURRENT ASSETS	198,975	-	198,975
TOTAL ASSETS	1,549,749	-	1,549,749
CURRENT LIABILITIES			
Trade and other payables	912,283	-	912,283
Short-term provisions	351,968	-	351,968
TOTAL CURRENT LIABILITIES	1,264,251	-	1,264,251
NON-CURRENT LIABILITIES			
Long-term provisions	7,029	-	7,029
TOTAL NON-CURRENT LIABILITIES	7,029	-	7,029
TOTAL LIABILITIES	1,271,280	-	1,271,280
NET ASSETS	278,469	-	278,469
EQUITY			
Issued capital	11,248,753	-	11,248,753
Reserves	16,643,873	-	16,643,873
Accumulated losses	(27,659,313)	-	(27,659,313)
Parent interest	233,313	-	233,313
Minority equity interest	45,156	-	45,156
TOTAL EQUITY	278,469	-	278,469

NOTE 2 – FIRST-TIME ADOPTION OF AIFRS (continued)

Reconciliation of Equity at 30 June 2005	Note	Consolidated Entity Previous GAAP at 30 June 2005 $	Effect of Transition of AIFRS $	AIFRS at 30 June 2005 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		38,588	-	38,588
Trade and other receivables		124,308	-	124,308
Financial assets		162,000	-	162,000
Other current assets		34,978	-	34,978
TOTAL CURRENT ASSETS		359,874	-	359,874
NON-CURRENT ASSETS				
Investments accounted for using the equity method		1,823	-	1,823
Property, plant and equipment		88,899	-	88,899
TOTAL NON-CURRENT ASSETS		90,722	-	90,722
TOTAL ASSETS		450,596	-	450,596
CURRENT LIABILITIES				
Trade and other payables		1,100,512	-	1,100,512
Short-term provisions		396,085	-	396,085
TOTAL CURRENT LIABILITIES		1,496,597	-	1,496,597
NON-CURRENT LIABILITIES				
Long-term provisions		117	-	117
TOTAL NON-CURRENT LIABILITIES		117	-	117
TOTAL LIABILITIES		1,496,714	-	1,496,714
NET ASSETS (DEFICIENCY)		(1,046,118)	-	(1,046,118)
EQUITY				
Issued capital		11,248,753	-	11,248,753
Reserves		16,643,873	-	16,643,873
Accumulated losses	2(a)	(28,558,314)	(380,430)	(28,938,744)
Parent interest		(665,688)	-	(1,046,118)
Minority equity interest	2(a)	(380,430)	380,430	-
TOTAL EQUITY (DEFICIENCY)		(1,046,118)	-	(1,046,118)

NOTE 2 – FIRST-TIME ADOPTION OF AIFRS (continued)

	Parent Entity		
Reconciliation of Equity at 1 July 2004	**Previous GAAP at 1July 2004 $**	**Effect of Transition of AIFRS $**	**AIFRS at 1 July 2004 $**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	253	-	253
Trade and other receivables	583,866	-	583,866
Other current assets	173	-	173
TOTAL CURRENT ASSETS	584,292	-	584,292
NON-CURRENT ASSETS			
Financial assets	1,746,575	-	1,746,575
Investments accounted for using the equity method	40	-	40
TOTAL NON-CURRENT ASSETS	1,746,615	-	1,746,615
TOTAL ASSETS	2,330,907	-	2,330,907
CURRENT LIABILITIES			
Trade and other payables	1,410,818	-	1,410,818
TOTAL CURRENT LIABILITIES	1,410,818	-	1,410,818
TOTAL LIABILITIES	1,410,818	-	1,410,818
NET ASSETS	920,089	-	920,089
EQUITY			
Issued capital	11,248,753	-	11,248,753
Reserves	1,000	-	1,000
Accumulated losses	(10,329,664)	-	(10,329,664)
TOTAL EQUITY	920,089	-	920,089

NOTE 2 – FIRST-TIME ADOPTION OF AIFRS (continued)

	Parent Entity		
Reconciliation of Equity at 30 June 2005	**Previous GAAP at 30 June 2005 $**	**Effect of Transition of AIFRS $**	**AIFRS at 30 June 2005 $**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	130	-	130
Trade and other receivables	224,354	-	224,354
Other current assets	106	-	106
TOTAL CURRENT ASSETS	224,590	-	224,590
NON-CURRENT ASSETS			
Financial assets	1,746,575	-	1,746,575
Investments accounted for using the equity method	40	-	40
TOTAL NON-CURRENT ASSETS	1,746,615	-	1,746,615
TOTAL ASSETS	1,971,205	-	1,971,205
CURRENT LIABILITIES			
Trade and other payables	1,311,450	-	1,311,450
TOTAL CURRENT LIABILITIES	1,311,450	-	1,311,450
TOTAL LIABILITIES	1,311,450	-	1,311,450
NET ASSETS	659,755	-	659,755
EQUITY			
Issued capital	11,248,753	-	11,248,753
Reserves	1,000	-	1,000
Accumulated losses	(10,589,998)	-	(10,589,998)
TOTAL EQUITY	659,755	-	659,755

NOTE 2 – FIRST-TIME ADOPTION OF AIFRS (continued)

		Consolidated Entity		
		Previous GAAP	Effect of transition to AIFRS	AIFRS
	Note	2005	2005	2005
Reconciliation of Profit or Loss for 2005		$	$	$
Revenue		1,012,520	-	1,012,520
Virtual Internet Service network operating expense		(203,174)	-	(203,174)
Employee benefits expense		(1,985,444)	-	(1,985,444)
Sharebroking and underwriting expense		(55,091)	-	(55,091)
Marketing expense		(37,007)	-	(37,007)
Depreciation and amortisation expense		(115,142)	-	(115,142)
Research and development expense		(3,382)	-	(3,382)
Impairment of investments		(1,611)	-	(1,611)
Other expenses		(798,018)	-	(798,018)
Share of net profits of associates		1,601	-	1,601
Loss before income tax		(2,184,748)	-	(2,184,748)
Income tax expense (benefit)		-	-	-
Loss for the year		(2,184,748)	-	(2,184,748)
Loss attributable to minority equity interests	2(a)	1,285,747	(380,430)	905,317
Loss attributable to members of the Parent Entity		(899,001)	(380,430)	(1,279,431)

	Parent Entity		
	Previous GAAP	Effect of transition to AIFRS	AIFRS
	2005	2005	2005
Reconciliation of Profit or Loss for 2005	$	$	$
Revenue	17,077	-	17,077
	17,077	-	17,077
Other expenses	(277,411)	-	(277,411)
Loss before income tax	(260,334)	-	(260,334)
Income tax expense (benefit)	-	-	-
Loss for the year	(260,334)	-	(260,334)

Notes to the reconciliations of equity and profit and loss at 30 June 2005

2(a) *Adjustments to accumulated losses, minority equity interest as at 30 June 2005 and adjustment to loss attributable to minority equity interests for the year ended 30 June 2005*

Under Australian equivalents to IFRS (AASB 127), the excess of accumulated losses over equity attributable to minority interest is required to be adjusted against the parent ownership group's interest unless the minority has a binding obligation to, and is able to, make good the losses. Hence, adjustments have been made to the Consolidated Entity's accumulated losses and Minority equity interest as at 30 June 2005 and loss attributable to minority equity interests in the profit and loss for the year ended 30 June 2005 in accordance with AASB 127.

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 3 – REVENUE				
Operating activities				
Financial services revenue	**307,333**	185,656	–	–
Paid ISP subscriptions revenue	**186,003**	291,660	–	–
Other Internet media revenue	**136,772**	134,488	–	–
Gaming revenue	**167,969**	–	–	–
Proceeds on disposal of share investments	–	92,721	–	–
R & D tax offset rebate	**239,693**	246,033	–	–
Interest income				
– Related corporations	–	–	**43,214**	17,077
– Other corporations	**287,272**	8,430	**172,021**	–
Other revenue	**11,350**	53,532	–	–
	1,336,392	1,012,520	**215,235**	17,077
Non-operating activities				
Gains on disposal of property, plant and equipment	**467**	–	–	–
Net foreign currency translation gains	**354,225**	–	–	–
Gain on reduction of equity interest in a controlled entity	**239,204**	–	–	–
	593,896	–	–	–

NOTE 4 – LOSS FOR THE YEAR

(a) Expenses

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Finance costs:				
– External	**21,332**	–	–	–
Rental expense relating to operating lease	**939,314**	132,468	–	–

(b) Significant items

No material revenue and expense items are relevant in explaining the financial performance

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 5 – 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% (2005: 30%)				
– Consolidated Entity	**(2,066,938)**	(655,424)	–	–
– Parent Entity	–	–	**(495,885)**	(78,100)
– Other members of the income tax consolidated group net of intercompany transactions	–	–	**(209,950)**	(70,765)
	(2,066,938)	(655,424)	**(705,835)**	(148,865)
Add:				
Tax effect of:				
– Share of net losses of associates	**481**	–	–	–
– Share-based payment expense	**400,752**	–	**368,500**	–
– Non-deductible expenses	**5,285**	1,026	**5,285**	994
	406,518	1,026	**373,785**	994
Less:				
Tax effect of:				
– Share of net profits of associates	–	(480)	–	–
– Others	**(1,685)**	–	**(1,685)**	–
	(1,685)	(480)	**(1,685)**	–
Deferred income tax assets not brought to account	**1,662,105**	654,878	**333,735**	147,871
	–	–	–	–
(b) The Directors estimate that the potential deferred income tax assets at 30 June 2006 in respect of tax losses not brought to account is:	**8,493,122**	6,804,132	**1,754,697**	1,422,518

NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION

a) Names of and positions held by the Parent Entity's and the Consolidated Entity's key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr. T C T Cheng	Executive Chairman & Group Chief Executive Officer, and Director – China Entertainment Holdings Ltd
Mr. R Li	Executive Director & Chief Operating Officer, Australia
Mr. P J Gillooly	Non-executive Director
Mr. M B Lee	Non-executive Director
Mr. I A Johnston	Executive Director, and General Manager, Operations – Sino Investment Services Pty Ltd
Mr. J C Wu	Non-Executive Director, and Director – China Entertainment Holdings Ltd
Mr. E H M Yuen	Non-Executive Director, and Director & Chief Executive Officer – China Entertainment Holdings Ltd
Dr. W Wen	General Manger, Research & 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. P L Thomson *(commenced on 23 May 2006)*	General Manager, Corporate – Sino Investment Services Pty Ltd
Ms. S Tse	Financial Accountant and Company Secretary – Sino Investment Services Pty Ltd

b) Compensation Practices

The Parent Entity aims to reward key management personnel 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 fixed remuneration which are payable in a variety of forms including cash and fringe benefits, superannuation and bonuses at directors' discretion. No variable or performance based remuneration was offered to the executive directors and officers of the Parent Entity during the financial year. The Board intends to implement an employee share option plan which will be tabled at the next Annual General Meeting for the shareholders' approval.

The employment contract stipulates a range of 1-month to 3-month resignation periods. Subject to individual employee's employment contract with the corresponding controlled entities/employers ("the Employer"), the Employer may terminate an employment contract without cause by providing 1-month to 3-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, the Employer can terminate the employment contracts at any time.

c) Key Management Personnel Compensation

2006	Short-term Benefits						Share-based Payment			
Key Management Person	Cash, salary and commis-sions	Cash bonuses	Non-cash benefits	Other	Post-employ-ment Benefits	Other long-terms Benefits	Equity	Options	Total	Perfor-mance Related
	$	$	$	$	$	$	$	$	$	%
Mr. T C T Cheng (i)	37,746	–	352	769	–	–	–	306,220	345,087	–
Mr. R Li (ii)	189,856	–	19,185	17,087	–	–	–	91,058	317,186	–
Mr. P J Gillooly	17,500	–	–	1,575	–	–	–	306,220	325,295	–
Mr. M B Lee	–	–	–	–	–	–	–	68,816	68,816	–
Mr. I A Johnston	103,615	10,000	7,246	10,225	–	–	–	68,816	199,902	–
Mr. J C Wu (i)	49,907	–	352	827	–	–	–	68,816	119,902	–
Mr. E H M Yuen (i)	19,836	–	13,470	827	–	–	–	306,220	340,353	–
Dr. W Wen	143,321	–	–	12,899	–	–	–	* 7,414	163,634	–
Mr. A Voglis	113,889	–	–	10,250	–	–	–	* 7,414	131,553	–
Mr. E Li	107,115	–	–	9,640	–	–	–	* 7,414	124,169	–
Mr. P L Thomson (ii)	45,870	–	–	7,278	–	–	–	* 22,242	75,390	–
Ms. S Tse	66,593	10,000	5,837	6,893	–	–	–	* 34,408	123,731	–
	895,248	20,000	46,442	78,270	–	–	–	1,295,058	2,335,018	

(i) Includes directors' fees, superannuation and other non-cash benefits paid and/or payable by China Entertainment Holdings Ltd ("CEH") as CEH's directors.

(ii) Includes directors' fees, superannuation and share-based payments paid and/or payable by GoConnect Ltd ("GCN") as GCN's directors.

* *Options were granted by GoConnect Ltd, a partly owned subsidiary of the Parent Entity, to take up shares in GoConnect Ltd.*

NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

c) Key Management Personnel Compensation (continued)

2005	Short-term Benefits					Other	Share-based Payment			
Key Management Person	Cash, salary and commissions	Cash bonuses	Non-cash benefits	Other	Post-employment Benefits	long-terms Benefits	Equity	Options	Total	Performance Related
	$	$	$	$	$	$	$	$	$	%
Mr. R Li	189,856	–	14,146	17,087	–	–	–	–	221,089	–
Mr. M B Lee	–	–	–	–	–	–	–	–	–	–
Mr. I A Johnston	103,615	–	3,709	9,325	–	–	–	–	116,649	–
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	–
Ms. S Tse	66,593	–	5,315	5,993	–	–	–	–	77,901	–
	714,660	–	23,170	64,318	–	–	–	–	802,148	

d) Compensation Options

					Terms & Conditions for each Grant		
Key Management Personnel	Vested No.	Granted No.	Grant Date	Fair Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
				$	$		
Mr. T C T Cheng	-	200,000	31.10.2005	1.782974	2.50	31.10.2006	31.10.2008
	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Mr. R Li	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
	-	* 600,000	25.11.2005	0.11	0.15	25.11.2006	25.11.2009
Mr. P J Gillooly	-	200,000	31.10.2005	1.782974	2.50	31.10.2006	31.10.2008
	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Mr. M B Lee	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Mr. I A Johnston	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Mr. J C Wu	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Mr. E H M Yuen	-	200,000	31.10.2005	1.782974	2.50	31.10.2006	31.10.2008
	-	100,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008
Dr. W Wen	-	* 200,000	25.11.2005	0.11	0.15	25.11.2006	25.11.2009
Mr. A Voglis	-	* 200,000	25.11.2005	0.11	0.15	25.11.2006	25.11.2009
Mr. E Li	-	* 200,000	25.11.2005	0.11	0.15	25.11.2006	25.11.2009
Mr. P L Thomson	-	* 600,000	25.11.2005	0.11	0.15	25.11.2006	25.11.2009
Ms. S Tse	-	50,000	31.10.2005	1.03366	5.00	31.10.2006	31.10.2008

* *Options were granted by GoConnect Ltd, a partly owned subsidiary of the Parent Entity, to take up shares in GoConnect Ltd.*

Options granted by Sino Strategic International Limited vest within 1 year of grant date and expire within 2 years of vesting.

Options granted by GoConnect Ltd vest within 1 year of grant date and expire within 3 years of vesting.

During the financial year, the options were not issued based on performance criteria, but were issued to directors and executives of the Parent Entity and the Consolidated Entity to increase goal congruence between executives, directors and shareholders.

All options were granted for nil consideration. Options granted carry no dividend or voting rights.

e) Shares issued on Exercise of Compensation Options

No options exercised during the year that were granted as compensation in prior periods.

NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

f) Options and Rights Holdings

Number of Options held by Key Management Personnel

	Balance 1.7.2005	Granted as Compen-sation	Options Exercised	Net Change Other #	Balance 30.6.2006	Total Vested 30.6.2006	Total Exercisable 30.6.2006	Total Unexer-cisable 30.6.2006
Mr. T C T Cheng	-	300,000	-	-	300,000	-	-	300,000
Mr. R Li	-	100,000	-	-	100,000	-	-	100,000
	* 500,000	* 600,000	-	* (500,000)	* 600,000	-	-	* 600,000
Mr. P J Gillooly	-	300,000	-	-	300,000	-	-	300,000
Mr. M B Lee	-	100,000	-	-	100,000	-	-	100,000
Mr. I A Johnston	-	100,000	-	-	100,000	-	-	100,000
Mr. B L Mathieson *(resigned & ceased to be director on 16/5/2006)*	-	300,000	-	(300,000)	-	-	-	-
Mr. J C Wu	-	100,000	-	-	100,000	-	-	100,000
Mr. E H M Yuen	-	300,000	-	-	300,000	-	-	300,000
Dr. W Wen	* 375,000	* 200,000	-	* (375,000)	* 200,000	-	-	* 200,000
Mr. A Voglis	-	* 200,000	-	-	* 200,000	-	-	* 200,000
Mr. E Li	* 150,000	* 200,000	-	* (150,000)	* 200,000	-	-	* 200,000
Mr. P L Thomson	* 500,000	* 600,000	-	* (500,000)	* 600,000	-	-	* 600,000
Ms. S Tse	-	50,000	-	-	50,000	-	-	50,000

\# *The "Net Change Other" reflected above includes those options that have been forfeited by holders as well as options expired or cancelled during the financial year.*

* *Options were granted by GoConnect Ltd, a partly owned subsidiary of the Parent Entity, to take up shares in GoConnect Ltd.*

g) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2005	Received as Compensation	Options Exercised	Net Change Other #	Balance 30.6.2006
Mr. T C T Cheng	-	-	-	37,650,000	37,650,000
Mr. R Li	* 3,300,000	-	-	-	* 3,300,000
Mr. M B Lee	1,000,500	-	-	-	1,000,500
Mr. I A Johnston	99,500	-	-	-	99,500

\# *The "Net Change Other" refers to shares purchased or sold during the financial year.*

* *Partly paid shares*

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 7 – AUDITORS' REMUNERATION				
(a) Remuneration of the auditors of the Parent Entity for:				
– auditing or reviewing the financial report	**71,500**	56,750	**23,400**	17,250
(b) Remuneration of other auditors of subsidiaries for:				
– auditing or reviewing the financial report	**10,405**	–	–	–
	81,905	56,750	**23,400**	17,250

NOTE 8 – DIVIDENDS PAID OR PROPOSED

No dividend has been paid or declared for this financial year.

Dividend franking account

As at 30 June 2006, the Parent Entity's Dividend Franking Account had a balance of $Nil. (2005: $Nil).

	Consolidated Entity 2006 $	Consolidated Entity 2005 $
NOTE 9 – EARNINGS (LOSS) PER SHARE		
(a) Reconciliation of earnings to profit (loss)		
Net loss	**(6,889,792)**	(2,184,748)
Net loss attributable to minority equity interest	**871,253**	905,317
Loss used to calculate basic EPS	**(6,018,539)**	(1,279,431)
Add:		
Imputed earnings after income tax on funds receivable on exercise of options issued	**160,446**	–
Loss used in the calculation of dilutive EPS	**(5,858,093)**	(1,279,431)
	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 outstanding during the year in calculating basic EPS	**45,437,735**	14,957,130
Weighted average number of options outstanding	**1,060,685**	–
Weighted average number of ordinary shares outstanding during the year in calculating dilutive EPS	**46,498,420**	14,957,130

(c) Conversions, calls, subscriptions or issues after 30 June 2006

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.

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 10 – CASH AND CASH EQUIVALENTS					
– Cash at bank and in hand		**10,646,220**	38,588	**2,832,488**	130
		10,646,220	38,588	**2,832,488**	130

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 11 – TRADE AND OTHER RECEIVABLES					
Current					
Trade debtors		**26,600**	19,618	–	–
Other receivables		**358,945**	29,690	**110,919**	20,910
Amounts receivable from:					
– wholly-owned subsidiaries		–	–	**235,301**	–
– partly-owned subsidiaries	28(d)	–	–	**925,456**	203,444
– directors of the Parent Entity	11(a)	**97,900**	75,000	–	–
		483,445	124,308	**1,271,676**	224,354
Non-Current					
Other receivables	28(b)	**1,540,194**	–	–	–
		1,540,194	–	–	–

(a) Key Management Personal Loans

	Balance 1.7.05 $	Interest charged $	Interest not charged $	Provision for impairment $	Balance 30.6.2006 $	Highest Balance During period $
Mr. I A Johnston	75,000	22,900	–	–	97,900	97,900

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 2006 at a 5% rate of interest unless otherwise mutually agreed by both parties.

NOTE 12 – OTHER FINANCIAL ASSETS

		Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Available-for-sale financial assets					
– Current portion	12(a)	**162,000**	162,000	–	–
– Non-current portion	12(a)	–	–	**121,830,196**	1,746,575
Total available-for-sale financial assets		**162,000**	162,000	**121,830,196**	1,746,575
(a) Available-for-sale Financial Assets comprise:					
Unlisted investment, at cost					
– shares in controlled entities		–	–	**59,377**	59,377
		–	–	**59,377**	59,377
Unlisted investment, at recoverable amount					
– shares in controlled entities, at cost		–	–	**129,786,903**	9,703,282
Less: Impairment provision		–	–	**(8,016,084)**	(8,016,084)
		–	–	**121,770,819**	1,168,198
– shares in other corporations, at cost		**163,611**	3,076,611	–	–
Less: Impairment provision		**(1,611)**	(2,914,611)	–	–
		–	–	–	–
Total available-for-sale financial assets		**162,000**	162,000	**121,830,196**	1,746,575

Investments in controlled entities

Through its wholly-owned subsidiary, Sino GL Pty Ltd, the Parent Entity held a 50.7% (2005: 52.0%) interest in GoConnect Ltd.

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Associated companies	13(a)	**219**	1,823	**40**	40

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in associates

Interests are held in the following associates:

Name of company	Principal activity	Country of Incorporation	Ownership interest 2006 %	Ownership interest 2005 %	Carrying Amount Consolidated Entity 2006 $	Carrying Amount Consolidated Entity 2005 $	Carrying Amount Parent Entity 2006 $	Carrying Amount Parent Entity 2005 $
The Best Mix Entertainment Group Pty Ltd	Entertainment, music talent search	Australia	**50**	50	**219**	1,823	**–**	–
Pharmasafe Pty Ltd	Manufacture, license, market and distribute Chinese medicines	Australia	**40**	40	**–**	–	**40**	40
					219	1,823	**40**	40

	Consolidated Entity 2006 $	Consolidated Entity 2005 $
(i) Movements during the year in equity accounted investment in associates		
Balance at beginning of the financial year	**1,823**	222
Add: Share of associates' profits from ordinary activities after income tax	**–**	1,601
Less: Share of associates' losses from ordinary activities after income tax	**(1,604)**	–
Carrying amount at the end of the financial year	**219**	1,823
(ii) Retained earnings (Accumulated losses) attributable to associates		
Share of associates' profits (losses) from ordinary activities before income tax expense	**(1,604)**	1,601
Share of associates' income tax expense	**–**	–
Share of associates' profits (losses) from ordinary activities after related income tax	**(1,604)**	1,601
Share of retained profits (losses) at the beginning of the financial year	**(8,217)**	(9,818)
Share of retained profits (losses) at the end of the financial year	**(9,821)**	(8,217)

	Associated companies 2006 $	Associated companies 2005 $
(iii) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Current assets	**2,385**	24,642
Non-current assets	**–**	–
Total assets	**2,385**	24,642
Current liabilities	**7,185**	24,585
Non-current liabilities	**–**	–
Total liabilities	**7,185**	24,585
Net assets	**(4,800)**	57
Revenues	**26,447**	13,565
Profit (Loss) after income tax of associates	**(4,857)**	2,927

NOTE 14 – CONTROLLED ENTITIES

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage owned *	
		2006	2005
		%	%
Parent Entity:			
Sino Strategic International Limited	Australia	–	–
Controlled entities of Sino Strategic 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	**50.7**	52.0
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
China Entertainment Holdings Ltd	British Virgin Islands	**100.0**	–

* *Percentage of voting power is in proportion to ownership*

(b) Acquisition of Controlled Entities and Restructuring

On 2 November 2005, the Parent Entity acquired 100% interest in China Entertainment Holdings Limited and its controlled entities from Best Winning Investment Limited ("Best Winning"). The purchase consideration was satisfied by the issue of 32.15 million fully paid ordinary shares in the Parent Entity to Best Winning.

The purchase price was allocated as follows:

Purchase consideration	$
– Value of shares issued (based on the closing market price of the Parent Entity's shares on the Australian Stock Exchange - $3.05 per share)	98,057,500
– Costs directly attributable to the combination including professional fees	143,182
Cash consideration	–
	98,200,682
Assets and liabilities acquired at acquisition date:	
– Cash and cash equivalent	1,285,111
– Prepayment	54,609
– Receivables	2,579,813
– Property, plant and equipment	800,294
– Payables	(6,424,953)
	(1,705,126)
Intangible assets recognised at acquisition date:	
– Gaming licences	71,000,000
– Goodwill on consolidation	28,905,808
Total	98,200,682

The assets and liabilities arising from the acquisition are recognised at fair value which are equal to their carrying value at acquisition date.

Net loss relating to China Entertainment Holdings Limited and its controlled entities amounting to $3,415,733 is included in the consolidated income statement for the year ended 30 June 2006.

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 15 – PROPERTY, PLANT AND EQUIPMENT				
Land and buildings – at cost	**7,579,362**	–	–	–
Accumulated depreciation	**(21,028)**	–	–	–
	7,558,334	–	–	–
Office and computer equipment – at cost	**2,625,062**	1,627,040	–	–
Accumulated depreciation	**(1,772,037)**	(1,608,496)	–	–
	853,025	18,544	–	–
Motor vehicles – at cost	**366,781**	215,832	–	–
Accumulated depreciation	**(120,775)**	(192,136)	–	–
	246,006	23,696	–	–
Furniture and fittings – at cost	**835,580**	246,706	–	–
Accumulated depreciation	**(314,400)**	(200,202)	–	–
	521,180	46,504	–	–
Staff amenities – at cost	**1,025**	955	–	–
Accumulated depreciation	**(951)**	(800)	–	–
	74	155	–	–
Total written down amount	**9,178,619**	88,899	–	–

(a) Movement in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Year ended 30 June 2006 (Consolidated Entity)	**Land & Buildings** $	**Office & Computer Equipment** $	**Motor Vehicles** $	**Furniture & Fittings** $	**Staff Amenities** $	**Total** $
Carrying amount at beginning of year	–	**18,544**	**23,696**	**46,504**	**155**	**88,899**
– Additions	7,602,539	479,396	145,210	401,097	70	8,628,312
– Additions through acquisition of entity	–	484,554	140,123	175,617	–	800,294
– Foreign currency translation difference (cost)	(23,177)	(535)	108	(385)	–	(23,989)
Adjusted total additions	7,579,362	963,415	285,441	576,329	70	9,404,617
– Disposals	–	–	(15,897)	–	–	(15,897)
– Depreciation expense	(21,093)	(129,190)	(47,300)	(101,810)	(151)	(299,544)
– Foreign currency translation difference (depreciation)	65	256	66	157	–	544
Adjusted depreciation expense	(21,028)	(128,934)	(47,234)	(101,653)	(151)	(299,000)
Carrying amount at end of year	**7,558,334**	**853,025**	**246,006**	**521,180**	**74**	**9,178,619**

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
NOTE 16 – INTANGIBLE ASSETS				
Goodwill				
Cost	**28,777,635**	–	–	–
Accumulated impaired losses	–	–	–	–
Net carrying value	**28,777,635**	–	–	–
Gaming Rights				
Cost	**70,685,171**	–	–	–
Accumulated impaired losses	–	–	–	–
Net carrying value	**70,685,171**	–	–	–
Total Intangibles	**99,462,806**	–	–	–

	Consolidated Entity	
	Goodwill	**Gaming Rights**
Year ended 30 June 2006	**$**	**$**
Balance at the beginning of year	–	–
– Additions	–	–
– Acquisitions through business combinations	28,905,808	71,000,000
– Impairment losses	–	–
– Foreign exchange translation difference	(128,173)	(314,829)
Closing value at 30 June 2006	**28,777,635**	**70,685,171**

Goodwill has indefinite useful life and is subject to annual impairment testing.

Gaming Rights have been determined to have an indefinite useful life and are subject to annual impairment testing.

The Gaming Rights are Lottery Permits and Keno Permits granted by Shanghai Welfare Lottery Issuing Centre ("SWLC") to the Consolidated Entity's wholly owned subsidiary in China – Shanghai Kelo Investment Management Company Ltd ("SKIM"). Generally, the Lottery Permits and Keno Permits held by SKIM will not be cancelled by SWLC unless SKIM does not comply with the relevant regulations and the terms of issue of the respective Lottery Permits and Keno Permits. The management of the Gaming division ensures that SKIM continues to use its best endeavour to comply with the relevant regulations and the terms of issue of the respective Lottery Permits and Keno Permits, which allows the Consolidated Entity to determine that the Gaming Rights do have an indefinite useful life.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and Gaming Rights have been allocated to the newly acquired Gaming division's Welfare Lotto and Keno cash generating unit for impairment testing.

Welfare Lotto and Keno unit

The recoverable amount of the Welfare Lotto and Keno unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period.

The discount rate used in the cash flow projections is 10% which takes into account the 10-year government bond rate in China and specific risks relating to the relevant gaming sector in China.

The annual growth rate used to extrapolate the cash flows of the Welfare Lotto and Keno unit is at a conservative 11%. The average annual growth rate for the industry in which the Welfare Lotto and Keno unit operates is about 20% which is substantially higher than the growth rate used in the cash flow projections.

NOTE 16 – INTANGIBLE ASSETS (continued)

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (Continued)

Key assumptions used in value in use calculations for the Welfare Lotto and Keno unit for 30 June 2006

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the Welfare Lotto and Keno unit.

- Agency commission is 7% which is the commission agreed with the SWLC.
- Inflation rate – the inflation rate used in escalating annual expenses of the business is 4%. Shanghai's 5-year weighted average CPI (2001 - 2005) is 0.76% and 10-year weighted average CPI (1996 - 2005) is 1.98% which are both lower than the inflation rate used in the cash flow projections. The management of the Gaming division believes that a conservative inflation rate should be used to manage any volatility in the inflation rate in the future.
- Terminal value – Terminal value is calculated using a perpetuity growth rate based on the cash flow forecast for year 5, discount rate and forecast growth rate.

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
NOTE 17 – OTHER ASSETS				
Current				
ASIC refundable deposit	**20,000**	20,000	–	–
Lease rental and other security deposits	**317,331**	–	–	–
Prepayments	**832,345**	14,978	**4,320**	106
	1,169,676	34,978	**4,320**	106
Non-Current				
Security deposits with SWLC *	**2,006,825**	–	–	–
	2,006,825	–	–	–

** SWLC – Shanghai Welfare Lottery Issuing Centre*

	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
NOTE 18 – PAYABLES				
Current				
Trade payables	**122,948**	142,262	**1,687**	36,319
Sundry payables and accrued expenses	**992,197**	948,261	**13,055**	13,105
Withholding tax payable	**12,600**	9,989	–	–
Amounts payable:				
– Wholly-owned subsidiaries	–	–	**698,887**	1,262,026
	1,127,745	1,100,512	**713,629**	1,311,450

	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
NOTE 19 – BORROWINGS				
Current				
Secured Mortgage loans	**207,854**	–	–	–
	207,854	–	–	–
Non-Current				
Secured Mortgage loans	**3,897,251**	–	–	–
	3,897,251	–	–	–

(a) The mortgage loan is in relation to the purchase of the office property, which is secured on the office property.

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 20 – PROVISIONS				
Short-term provisions	**271,710**	396,085	–	–
Long-term provisions	**183,584**	117	–	–
	455,294	396,202	–	–

	Consolidated Entity		
	Employee Benefits $	Other $	Total $
Opening balance at 1 July 2005	396,202	–	396,202
– Additional provisions	155,387	20,679	176,066
– Amounts used	(116,974)	–	(116,974)
Balance at 30 June 2006	**434,615**	**20,679**	**455,294**

Provision for Employee Benefits

A provision has been recognise for employee entitlements relating to long service leave and accrued annual leave. In calculating the present value of future of cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in *Note 1* to this report.

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 21 – ISSUED CAPITAL				
(a) Issued and paid up capital				
62,765,167 (2005: 14,900,505) Fully paid ordinary shares	**136,855,933**	11,220,253	**136,210,204**	11,220,253
2,800,000 (2005: 2,800,000) Partly paid ordinary shares with 49c/share outstanding	**28,000**	28,000	**28,000**	28,000
500,000 (2005: 500,000) Partly paid ordinary shares with 79.9c/share outstanding	**500**	500	**500**	500
	136,884,433	11,248,753	**136,238,704**	11,248,753

The Company has issued share capital amounting to 66,065,167 ordinary shares of no par value.

Terms and conditions of issued capital

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.

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	No.	No.	**No.**	No.
NOTE 21 – ISSUED CAPITAL (continued)				
(b) Ordinary shares				
(i) Fully paid				
At the beginning of the financial year	**14,900,505**	14,900,505	**14,900,505**	14,900,505
Shares issued during the year:				
– 30 August 2005	**1,600,000**	–	**1,600,000**	–
– 23 September 2005	**600,000**	–	**600,000**	–
– 2 November 2005	**32,150,000**	–	**32,150,000**	–
– 8 November 2005	**10,500,000**	–	**10,500,000**	–
– 6 April 2006	**2,057,662**	–	**2,057,662**	–
– 10 April 2006	**210,000**	–	**210,000**	–
– 13 April 2006	**746,000**	–	**746,000**	–
– 4 May 2006	**1,000**	–	**1,000**	–
At the end of the financial year	**62,765,167**	14,900,505	**62,765,167**	14,900,505
(ii) Partly paid with 49 cents per share outstanding				
Balance at the beginning of the financial year	**2,800,000**	2,800,000	**2,800,000**	2,800,000
– Issued during the year	–	–	–	–
Balance at the end of the financial year	**2,800,000**	2,800,000	**2,800,000**	2,800,000
(iii) Partly paid with 79.9 cents per share outstanding				
– Balance at the beginning of the financial year	**500,000**	500,000	**500,000**	500,000
Issued during the year	–	–	–	–
Balance at the end of the financial year	**500,000**	500,000	**500,000**	500,000

(c) Share options

For information relating to share options issued to key management personnel during the financial year, refer to *Note 26 - Share-based payments*.

NOTE 22 – RESERVES

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

(b) Forfeited shares reserve
The forfeited share reserve is used to record shares forfeited.

(c) Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled entity.

(d) Option Reserve
The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 23 – CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
– not later than 12 months	**1,660,794**	102,196	–	–
– between 12 months and 5 years	**916,981**	–	–	–
– greater than 5 years	–	–	–	–
	2,577,775	102,196	–	–

The operating leases are mainly in respect of the Consolidated Entity's 2 office premises and Point-of-sale (POS) shops leases.

- The first office lease is non-cancellable lease with a term of 5 years from 1 May 2006 to 30 April 2011, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 3% per annum. No option exists to renew the lease after 30 April 2011.
- The second office lease is non-cancellable lease with a term of 3 years to 31 October 2008. No contingent rent, purchase option and escalation clauses within the lease agreement. There is an option to renew for another two years after the expiry of the current lease with lease payments adjusted to market price but the increase, if any, shall not exceed 15% of the current lease payments.
- POS shops' leases, in general, have a lease term of 1 year or less, with no contingent rent, purchase option and escalation clauses within the lease agreement. No option exists to renew the lease after the expiry date. POS shops have to negotiate with the lessors and enter into a new lease when the current leases expire.

(b) Capital expenditure commitments

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Capital expenditure commitments contracted for:				
– Leasehold improvements	**88,593**	–	–	–
	88,593	–	–	–
– not later than 12 months	**88,593**	–	–	–
– between 12 months and 5 years	–	–	–	–
– greater than 5 years	–	–	–	–
	88,593	–	–	–

As at the end of the financial year, the Consolidated Entity had a capital expenditure commitment of $1,924,030 (HK$11,108,000) to finance various production projects of Endless Idea Management Limited (EIM). This amount is not included in the above disclosure as on 14 July 2006 the Consolidated Entity acquired 100% interest in EIM and EIM has since become a wholly owned subsidiary of the Consolidated Entity.

(c) Other commitments

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Computer system service contracts	**59,316**	66,114	–	–
Insurance premiums	**48,924**	25,204	–	–
	108,240	91,318	–	–
– not later than 12 months	**108,240**	91,318	–	–
– between 12 months and 5 years	–	–	–	–
– greater than 5 years	–	–	–	–
	108,240	91,318	–	–

NOTE 24 – CASH FLOW INFORMATION

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

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Operating profit (loss) after income tax	**(6,889,792)**	(2,184,748)	**(1,652,950)**	(260,334)
Cash flows excluded from profit (loss) attributable to operating activities:				
Transaction costs incurred in acquiring a controlled entity	**(143,182)**	–	–	–
Non-cash flows in profit (loss):				
Net (gain) loss on disposal of financial assets	–	(28,406)	–	–
Net (gain) loss on disposal of property, plant and equipment	**(467)**	–	–	–
Depreciation of non-current assets	**299,544**	115,142	–	–
Impairment of investments	–	1,611	–	–
Gain on reduction of equity interest in a controlled entity	**(239,204)**	–	–	–
Expense of share-based payments	**1,335,840**	–	**1,228,335**	–
Share of associates' net (profits) losses	**1,604**	(1,601)	–	–
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:				
(Increase) Decrease in trade and other receivables	**(510,763)**	7,908	**(282,395)**	(17,158)
(Increase) Decrease in prepayments	**(785,924)**	9,520	**(4,213)**	67
Increase (Decrease) in trade and other payables	**(40,702)**	353,786	**71,320**	232,180
Increase (Decrease) in provisions	**59,138**	37,205	–	–
Net cash (used in) operating activities	**(6,913,908)**	(1,689,583)	**(639,903)**	(45,245)

(b) Acquisition of Entities

During the year, the Consolidated Entity acquired 100% of China Entertainment Holdings Ltd. Refer to *Note 14 – Controlled Entities* for details of the transaction.

(c) Non-cash financing and investing activities

- During the financial year, the Consolidated Entity acquired 100% interest in China Entertainment Holdings Ltd ("**CEH**") from Best Winning Investment Ltd ("**Best Winning**") for a consideration by way of issuing 32.15 million fully paid ordinary shares in the capital of the Parent Entity to Best Winning.
- During the financial year, the Consolidated Entity repaid the loan and accrued interest to Best Winning on behalf of CEH amounting to $6,333,640. Of the total repayment amount, Best Winning instructed the Consolidated Entity to utilise $6,300,000 to pay for Best Winning's subscription for 10.5 million shares in the capital of the Parent Entity at $0.60 per share. Therefore, the only cash flows relating to this activity was a cash outflows of $33,640.

(d) Financing facilities

There are no credit facilities with any financial institutions.

NOTE 25 – SEGMENT INFORMATION

(a) Primary Reporting – Business segments

	Financial Services		*Equity Investments*		*Internet and mobile media and communications*		*Gaming*		*Elimination*		Consolidated Entity	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Revenue												
Revenue from ordinary activities	**363,477**	238,881	**172,021**	92,721	**566,255**	680,918	**589,424**	-			**1,691,177**	1,012,520
Inter-segment revenue	**1,117,176**	40,563	**43,214**	17,077	-	-	-	-	**(1,160,390)**	(57,640)	-	-
Total segment revenue	**1,480,653**	279,444	**215,235**	109,798	**566,255**	680,918	**589,424**	-	**(1,160,390)**	(57,640)		
Unallocated revenue											**239,111**	-
Total revenue from ordinary activities											**1,930,288**	1,012,520
Results												
Segment result	**26,580**	(463,585)	**(423,968)**	(32,417)	**(1,767,079)**	(1,649,360)	**(3,395,539)**	-	**(1,117,176)**	(40,563)	**(6,677,182)**	(2,185,925)
Unallocated expenses net of unallocated revenue											**(189,674)**	(424)
Finance Costs	-	-	**(1,138)**	-	-	-	**(20,194)**	-	-	-	**(21,332)**	-
Share of associates' net profits (losses)	-	-	-	-	**(1,604)**	1,601	-	-	-	-	**(1,604)**	1,601
Profit (Loss) before income tax											**(6,889,792)**	**(2,184,748)**
Income tax expense											-	-
Profit (Loss) after income tax											**(6,889,792)**	(2,184,748)
Assets												
Segment assets	**733,662**	309,729	**2,871,354**	34,862	**660,298**	105,985	**120,384,670**	-	-	-	**124,649,984**	450,576
Unallocated assets											**20**	**20**
Total assets											**124,650,004**	450,596
Liabilities												
Segment liabilities	**404,926**	755,120	**14,742**	49,424	**659,649**	692,170	**4,608,827**	-	-	-	**5,688,144**	1,496,714
Total liabilities											-	-
Other segment information											**5,688,144**	1,496,714
Acquisition of property, plant & equipment and other non-current assets	**19,347**	-	-	-	**27,215**	5,288	**8,581,750**	-	-	-	**8,628,312**	5,288
Investments accounted for using the equity method	-	-	-	-	**219**	1,823	-	-	-	-	**219**	1,823
Depreciation & Amortisation	**4,851**	10,902	-	-	**40,491**	104,240	**254,202**	-	-	-	**299,544**	115,142
Non-cash expenses other than depreciation and amortisation	**12,942**	25,743	**1,228,335**	-	**133,543**	13,073	-	-	-	-	**1,374,820**	38,816

Segment information for the prior year ended 30 June 2005 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 2006.

NOTE 25 – SEGMENT INFORMATION (continued)

(a) Secondary Reporting – Geographical segments

Geographical Location	**Segment Revenues from External Customers**		**Carrying Amount of Segment Assets**		**Acquisitions of Non-current Segment Assets**	
	2006	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$
Australia	**1,415,416**	1,012,520	**4,265,334**	450,596	**46,562**	5,288
China	**589,424**	–	**120,384,670**	–	**8,581,750**	–
	2,004,840	1,012,520	**124,650,004**	450,596	**8,628,312**	5,288

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the Consolidated Entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business Segments

The Consolidated Entity has the following four 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.
- Gaming division is involved in the welfare lottery, Keno, Video Lottery Terminal, Multifunction Entertainment Centre and Poker Tournament gaming businesses in China.

Geographical segments

The Consolidated Entity business segments are located in Australia with financial services, equity investment and Internet media & communication divisions while gaming division is located in China.

NOTE 26 – SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2006:

Parent Entity

On 31 October 2005, 1,600,000 share options were granted to directors and executive officers of the Parent Entity to take up ordinary shares in the Parent Entity at the following exercise prices:

- 800,000 share options at an exercise of $2.50 each; and
- 850,000 share options at an exercise of $5.00 each.

50% of the options are exercisable after 31 October 2006 but before 31 October 2008 while the remaining 50% of the options are exercisable after 31 October 2007 but before 31 October 2008. The options hold no voting or dividend rights. During the year, Mr. B L Mathieson resigned and ceased to be a director and his options were forfeited and cancelled before vesting. Since balance date, no options were forfeited or cancelled. At balance date, no share option has been exercised.

The above options granted are ordinary shares in the Parent Entity, Sino Strategic International Limited, which confers a right of one ordinary share for every option held.

Controlled Entity

On 25 November 2005, the following options were granted by the controlled entity, GoConnect Limited:

- 1,700,000 share options were granted to employees at an exercise price of $0.15 each; and
- 1,200,000 share options were granted to non-executive directors at an exercise price of $0.15 each.

50% of these options vest on 25 November 2006 and the balance on 25 November 2007. These options can be exercised on or before 25 November 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

All options granted are for ordinary shares in the controlled entity, GoConnect limited, which confer a right of one ordinary share for every option held.

	Consolidated Entity				Parent Entity			
	2006		2005		**2006**		2005	
	No. of options	**Weighted Average Exercise Price $**	No. of options	Weighted Average Exercise Price $	**No. of options**	**Weighted Average Exercise Price $**	No. of options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	* 2,712,500	* 0.32	* 2,712,500	* 0.32	–	–	–	–
Granted	1,650,000	3.79	–	–	1,650,000	3.79	–	–
	* 2,900,000	* 0.15	–	–	–	–	–	–
Forfeited	(300,000)	3.33	–	–	(300,000)	3.33	–	–
	* (150,000)	* 0.15	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–
Expired	* (2,712,500)	* 0.32	–	–	–	–	–	–
Outstanding at year-end	1,350,000	3.89	–	–	1,350,000	3.89	–	–
	* 2,750,000	* 0.15	* 2,712,500	* 0.32				
Exercisable at year-end	–	–	* 2,712,500	* 0.32	–	–	–	–

* *These options details are in relation to the options of GoConnect Limited, a controlled entity..*

Details under the Consolidated Entity which consist of the Parent Entity's options and a controlled entity's options are as follows:

Parent Entity

The Parent Entity's options outstanding at 30 June 2006 had a weighted average exercise price of $3.89 and a weighted average remaining contractual life of 2.34 years. Exercise prices range from $2.50 to $5.00 in respect of the Parent Entity's options outstanding at 30 June 2006. The weighted average fair value of the options granted during the year was $1.40.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	$3.89
Weighted average life of the option	3 years
Underlying share price	$3.05
Expected share price volatility	58.57%
Risk free interest rate	5.45%

NOTE 26 – SHARE-BASED PAYMENTS (continued)

Parent Entity (continued)

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under Share-based payment expense in the income statement of the Parent Entity is $1,228,335 (2005: Nil), and relates, in full, to equity-settled share-based payment transactions. The expense is calculated based on the assumption that 100% of the number of options granted will ultimately vest.

Controlled Entity

GoConnect Ltd's options outstanding at 30 June 2006 had a weighted average exercise price of $0.15 and a weighted average remaining contractual life of 3.4 years. Exercise price for all options outstanding at 30 June 2006 is $0.15. The weighted average fair value of the options granted during the year was $0.11.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.15
Weighted average life of the option	4 years
Underlying share price	$0.13
Expected share price volatility	102.70%
Risk free interest rate	5.42%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under Share-based payment expense in the income statement of the Consolidated Entity is $107,505 (2005: $Nil) which relates, in full, to equity-settled share-based payment transactions of GoConnect Ltd.

NOTE 27 – FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Consolidated Entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for the Consolidated Entity's operations.

(i) Treasury Risk Management

The Consolidated Entity does not have any material treasury risk. The board of directors analyses currency and interest rate exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the Consolidated Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

The Consolidated Entity does not have any material interest rate risk exposure to any single receivable or group of receivables under financial instruments entered into by the Consolidated Entity.

Foreign currency risk

The Consolidated Entity is exposed to fluctuations in foreign currencies translation arising from translating foreign operating in currencies other than the Consolidated Entity's measurement currency.

Liquidity risk

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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

Price risk

The Consolidated Entity does not have any material Price risk exposure to any single receivable or group of receivables under financial instruments entered into by the Consolidated Entity.

NOTE 27 – FINANCIAL INSTRUMENTS (continued)

(b) Financial Instruments

(i) 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: 1 year or less		1 to 5 years		Over 5 years		Non-interest bearing		Total carrying amount as per the Balance Sheet		Weighted average effective interest rate	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$	**%**	%
Financial assets:														
Cash on hand and at bank	**10,646,220**	38,588	**-**	-	**-**	-	**-**	-	**-**	-	**10,646,220**	38,588	**2.74%**	2.82%
Security bonds/deposits	**-**	-	**70,776**	20,000	**-**	-	**-**	-	**2,273,380**	-	**2,344,156**	20,000	**5.58%**	5.45%
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**2,023,639**	124,308	**2,023,639**	124,308	**N/A**	N/A
Listed shares	**-**	-	**-**	-	**-**	-	**-**	-	**162,000**	162,000	**162,000**	162,000	**N/A**	N/A
Unlisted shares	**-**	-	**-**	-	**-**	-	**-**	-	**-**	1,823	**-**	1,823	**N/A**	N/A
Total financial assets	**10,646,220**	38,588	**70,776**	20,000	**-**	-	**-**	-	**4,459,019**	288,131	**15,176,015**	346,719		
Financial Liabilities:														
Trade and other payables	**-**	-	**-**	-	**-**	-	**-**	-	**1,127,745**	1,100,512	**1,127,745**	1,100,512	**N/A**	N/A
Borrowings	**-**	-	**-**	-	**4,105,104**	-	**-**	-	**-**	-	**4,105,104**	-	**5.75%**	N/A
Provisions	**-**	-	**-**	-	**-**	-	**-**	-	**455,294**	396,202	**455,294**	396,202	**N/A**	N/A
Total financial liabilities	**-**	-	**-**	-	**4,105,104**	-	**-**	-	**1,583,039**	1,496,714	**5,688,143**	1,496,714		
Net financial assets	**10,646,220**	38,588	**70,776**	20,000	**(4,105,104)**	-	**-**	-	**2,875,980**	(1,208,583)	**9,487,872**	(1,149,995)		

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

NOTE 27 – FINANCIAL INSTRUMENTS (continued)

(ii) Net fair values of financial assets and liabilities

The net fair value of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- 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.
- Debentures, bills of exchange and promissory notes which are traded on organised financial markets, are based on the quoted market offer price at balance date adjusted for transaction costs expected to be incurred.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the Consolidated Entity intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	Consolidated Entity			
	2006		2005	
	Carrying amount	**Net Fair Value**	Carrying amount	Net Fair Value
	$	**$**	$	$
Financial assets:				
Available-for-sale financial assets at fair value	**162,000**	**162,000**	162,000	162,000
Loans and receivables	**2,023,639**	**1,935,088**	124,308	124,308
Other assets	**2,344,156**	**2,228,777**	20,000	20,000
	4,529,795	**4,325,865**	306,308	306,308
Financial liabilities:				
Mortgage loans	**4,105,105**	**4,105,105**	–	–
Loans and amounts due	**1,127,745**	**1,127,745**	1,100,512	1,100,512
Other liabilities	**455,294**	**455,294**	396,203	396,203
	5,688,144	**5,688,144**	1,496,715	1,496,715

Fair values are materially in line with carrying values.

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 28 – RELATED PARTY TRANSACTIONS					
Transactions between related parties are on normal commercial terms and on conditions no more favourable than those available to other parties unless otherwise stated.					
Transactions with related parties:					
(a) Associated Companies					
During the financial year, the Consolidated Entity paid for Pharmasafe Pty Ltd's operating expenses which were treated as other receivables.		**1,213**	212	–	–
(b) Other Related Parties					
In accordance with an agreement entered into between China Entertainment Holdings Ltd ("CEH") and Horizon Structured Solutions Ltd's group of companies ("Horizon Group"), CEH would take up 50% of the total office running expenses of Horizon Group. Mr. Theodore C T Cheng is a director of Horizon Group.		**737,531**	–	–	–
China Entertainment Holdings Ltd paid consultancy fees to Horizon Structured Solutions (Cayman Islands) Limited during the financial year. Mr. Theodore C T Cheng is a director of Horizon Structured Solutions (Cayman Islands) Limited.		**141,153**	–	–	–
The Consolidated Entity financed various production projects of Endless Idea Management Limited ("EIM"). On 14 July 2006, the Consolidated Entity acquired 100% interest in EIM and EIM has since become a wholly owned subsidiary of the Consolidated Entity.		**1,540,194**	–	–	–
(c) Key Management Personnel					
Refer to *Note 11(a)* for Key Management Personal Loans					
(d) Partly-owned subsidiary					
The Parent Entity has provided a continuing credit facility with a limit of $1,000,000 (2005: $1,000,000) to a partly owned subsidiary, GoConnect Ltd. The interest rate at the end of the financial year was 7.88% (2005: 7.69%). The amount drawn under this facility as at 30 June 2006 was:		–	–	**879,798**	201,000
and the interest payable was:		–	–	**44,484**	1,270

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 28 – RELATED PARTY TRANSACTIONS (continued)					
(e) Wholly-owned subsidiary Office space, office facilities and other management services were provided by the wholly-owned subsidiary, Sino Investment Services Pty Ltd, to the Parent Entity during the financial year at an annual fee of:		–	–	**360,000**	200,000

(f) Ultimate Parent Entity
The ultimate parent entity of Sino Strategic International Ltd is Best Winning Investment Limited which is incorporated in British Virgin Islands.

NOTE 29 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities and contingent assets as at 30 June 2006.

NOTE 30 – EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and up to the date of this report, the Company has issued a total of 400,000 options for shares with an exercise price of $5.00 per option to the members of the International Advisory Board. The financial effect of this transaction has not been brought to account in the 2006 financial report.

On 14 July 2006, the Consolidated Entity acquired 100% interest in Endless Idea Management Ltd for a consideration of A$513,321 (HK$3,000,000). The financial effect of this transaction has not been brought to account in the 2006 financial report.

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 31 – CHANGES IN ACCOUNTING POLICY

The Consolidated Entity has adopted the following Accounting Standards for application on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation;
- AASB 139: Financial Instruments: Recognition and Measurement; and
- AASB 127: Consolidated and Separate Financial Statements.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the Consolidated Entity's financial instruments.

The adoption of AASB 127 has resulted in differences in the recognition and measurement of the Consolidated Entity's minority equity interest. The Consolidated Entity has adjusted comparative information accordingly.

NOTE 32 – COMPANY DETAILS

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

Level 2, 419 Collins Street
Melbourne Victoria 3000
Australia

DIRECTORS' DECLARATION

The Directors of Sino Strategic International Limited declare that:

(1) the financial statements and notes, as set out on pages 19 to 58, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Parent Entity and the Consolidated Entity.

(2) the Chief Executive Officer and the Chief Operating Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

(3) In the Directors' opinion 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
DIRECTOR

Dated at Melbourne this 27th day of September 2006

INDEPENDENT AUDIT REPORT

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys MRI
Thinking ahead

Melbourne
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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SINO STRATEGIC INTERNATIONAL LIMITED

Scope

The financial report and directors' responsibility
The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sino Strategic International Limited (the company) and Sino Strategic International Limited (the consolidated entity), for the year ended 30 June 2006. 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 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.

Bentleys mri
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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SINO STRATEGIC INTERNATIONAL LIMITED (Continued)

Audit Approach (Continued)

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.

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

Audit Opinion
In our opinion, the financial report of Sino Strategic 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 2006 and of their performance for the year ended on that date; and
  ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001; and

b. other mandatory professional reporting requirements.

Bentleys MRI

BENTLEYS MRI
CHARTERED ACCOUNTANTS

SCOTT PHILLIPS
PARTNER

Dated in Melbourne on this 28th day of September 2006

Quality Endorsed Company

Chartered Accountants
A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is set out below.

DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of share as at 31 August 2006:

	Fully Paid Ordinary		Fully Paid Restricted	Partly Paid, paid to 1 cent	Partly Paid, paid to 0.1 cent
	No. of holders	No. of shares	No. of holders	No. of holders	No. of holders
1 - 1,000	314	185,838	–	–	–
1,001 - 5,000	319	892,199	–	–	–
5,001 - 10,000	111	915,727	–	–	–
10,001 - 100,000	152	4,301,088	–	–	–
100,001 and over	35	24,320,315	1	1	1
	931	**30,615,167**	**1**	**1**	**1**
The number of shareholders holding less than a marketable parcel of shares:	**54**	**5,268**	–	–	–

Eighteen Pty Ltd holds 100% of the 2,800,000 partly paid shares paid to 1 cent with 49 cents per share outstanding and 100% of the 500,000 partly paid shares paid to 0.1 cent with 79.9 cents per share outstanding.

Best Winning Investment Limited holds 100% of the 32,150,000 fully paid restricted shares.

TOP 20 SHAREHOLDERS OF QUOTED ORDINARY SHARES AS AT 31 AUGUST 2006

	Name	No. of shares held	% of total issued capital
1	Eternal Profit Management Limited	5,500,000	8.76
2	SSI Nominees Pty Ltd	4,503,832	7.18
3	Citicorp Nominees Pty Limited	3,686,473	5.87
4	ANZ Nominees Limited <Cash Income A/C>	1,744,167	2.78
5	RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,468,537	2.34
6	Mr Hugo Frijlink <Frijlink Super Fund Account>	597,230	0.95
7	National Nominees Limited	543,730	0.87
8	Partners Investments Limited	475,535	0.76
9	Ronay Investments Pty Ltd	459,937	0.73
10	HSBC Custody Nominees (Australia) Limited	427,645	0.68
11	Bellwether Offshore Services Ltd	397,880	0.63
12	Warnford Nominees Pty Limited <No 1 Account>	366,978	0.58
13	Feta Nominees Pty Limited	354,000	0.56
14	Mr Charles Anthony Edwards & Mrs Ursula Frances Edwards & Mr Raymund Charles Edwards	318,452	0.51
15	Bourse Securities Pty Ltd	290,000	0.46
16	Mr Norman Lawrence Pinder & Mrs Carolyn Anne Pinder <The Pinder Family S/F A/C>	274,000	0.44
17	Kembla No 20 Pty Ltd <J Shuster Retire Fund A/C>	244,219	0.39
18	Mr Kiron Chhotalal Doshi	240,000	0.38
19	Nefco Nominees Pty Ltd	205,731	0.33
20	Grocon Pty Ltd	201,000	0.32
		22,299,346	**35.53**

SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2006

The number of ordinary shares held by substantial shareholders are set out below:

	(Number of Shares)		
Shareholder	**Fully Paid**	**Partly Paid, paid to $0.01**	**Partly Paid, paid to $0.001**
Best Winning Investment Limited	* 32,150,000	–	–
Eternal Profit Management Ltd	5,500,000	–	–
Eighteen Pty Ltd	–	2,800,000	500,000

* *These shares are restricted shares with an expiry date of 2 November 2007*

VOTING RIGHTS

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

(a) subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, every member present in person or by proxy or by attorney or by a duly authorised representative shall on a show of hands have one vote; and

(b) on a poll every member present in person or by proxy or by attorney or by a duly authorised representative shall:

(i) have one vote for each fully paid share he holds;

(ii) have a fraction of a vote for each partly paid share he holds. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amount paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

PARTLY PAID SHARES

The 2,800,000 partly paid shares paid to 1 cent with 49 cents per share outstanding and the 500,000 partly paid shares paid to 0.1 cent with 79.9 cents per share outstanding are held by Eighteen Pty Ltd, a company in which Mr. Richard Li has an interest.

RESTRICTED SECURITIES

There are 32,150,000 fully paid ordinary shares which are subject to 24 months escrow with an expiry date of 2 November 2007. These restricted shares are held by Best Winning Investment Limited, a company of which Mr. Theodore T C Cheng is the sole shareholder.

UNQUOTED EQUITY SECURITIES

There are 1,750,000 unquoted options on issue which are held by 12 individual option holders. No voting or dividend rights attached to these unquoted options.

STOCK EXCHANGE LISTING

The fully paid ordinary shares of Sino Strategic International Limited are quoted on the Australian Stock Exchange ("ASX") under ASX code "SSI", with Melbourne being the home exchange and on the Frankfurt, Munich, Berlin and Xetra Stock Exchanges with stock symbol "XSS".

ON-MARKET BUY-BACK

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