



# SINO STRATEGIC INTERNATIONAL LIMITED



Address: Level 2, 419 Collins Street  
Melbourne, VIC 3000, Australia  
Telephone: (61) 3 9629 6615  
Facsimile: (61) 3 9614 1946  
E-Mail: [info@sino.com.au](mailto:info@sino.com.au)  
Web Site: <http://www.sino.com.au>

ABN 99 006 620 739

Sino Investment Services Pty Ltd (ABN 49 006 643 152)  
Sino GL Pty Ltd (ABN 29 090 447 368)  
SSI Nominees Pty Ltd (ABN 31 006 724 956)  
Sino Investments Pty Ltd (ABN 47 006 643 143)  
Sino Asset Management Ltd (ABN 61 007 282 797)  
Sino Finance Portal Pty Ltd (ABN 32 086 928 396)

## Chairman's Address for the 2008 AGM of Sino Strategic International Ltd – 28 November 2008

**Ladies and Gentlemen,**

Welcome to the Sino Strategic 2008 Annual General Meeting.

The financial, political and economic backdrop to the latest reporting period has been one of unprecedented volatility and change.

At this time last year, after years of economic growth and stock market appreciation, we were just seeing the beginnings of the turmoil to be caused by irresponsible mortgage lending practices and the marketing of high risk mortgage backed investment products in the US. The repercussions of the value destroyed by these products and the subsequent impact on liquidity then engulfed the US financial sector before spreading world wide and impacting the real economies of every nation.

This financial and economic crisis has been met by dramatic and increasingly coordinated strategies by governments and reserve banks around the world to reliquify financial systems and underpin economic demand which in turn will stabilize employment and consumer spending. History tells us that this crisis will run its course and the economic cycle will again move into recovery phase at some point.

Throughout this period the management of SSI has focused on continuing to grow the gaming business by maximizing the opportunities available to us while reducing costs wherever possible to continue moving the operations towards a positive cash flow position.

The Director's Report included in the Annual Report discusses the key developments during the year. In brief these were the signing of a formal agreement with Shanghai Sports Lottery Administration Centre (SSLC) giving us authority to sell all their current and future games through our Points Of Sale (POS) network. These games have been well received and already produce substantial additional revenue to that being produced by the sale of Shanghai Welfare products.

To further add to our gaming platforms we are currently discussing online gaming and digital entertainment investment opportunities. These opportunities, if they come to fruition, will assist our objective of moving from a Shanghai based operation to having a nationwide presence.

Management has taken aggressive action to reduce expenses throughout the Shanghai and Hong Kong Head Offices and the POS network. Staff numbers have been reduced in the former areas while underperforming stores have been closed in anticipation of relocation to better sites in the future. As a result while weekly sales for the POS network have generally been maintained around RMB3m, by the culling of underperforming stores, average weekly store sales are now approaching 16,000RMB, an increase of nearly 250% compared to 12 months ago. This two pronged focus on improving the bottom line should result in the gaming business achieving operational break even at store level by the end of this calendar year.

The distribution in specie of SSI's GCN shares to SSI shareholders was conditional upon receiving a favourable ATO ruling in relation to demerger tax relief for SSI shareholders and SSI itself. After many months of investigation we have been informed that the ATO will decline to provide a ruling. With an uncertain tax outcome if the distribution were to proceed, the SSI Board will need to reconsider what action to take moving forward. This could involve a merger or acquisition transaction.

Management has pursued a number of opportunities to list SSI or its subsidiary China Entertainment Holdings on the Hong Kong Stock Exchange and other appropriate exchanges in the past 12 months. The timing of this exercise has not been ideal to say the least with the volatility we have experienced in global stock markets during this time. However, management is continuing to pursue this strategy and believes this is the best option to realize a higher enterprise valuation for our China gaming business. By early 2009, as our gaming business reaches profitability together with the commencement of sports betting, SSI's intrinsic enterprise value will have improved significantly. A listing of our business on the Hong Kong Stock Exchange by then will no doubt attract more investor interest than currently. With the sharp stock market declines experienced everywhere in the past 12 months, the delay in our proposed listing in Hong Kong may well turn out to be a blessing in disguise.

SSI has continued to consolidate its business in China over the last 12 months. Moving forward, it is now poised to achieve profitability, initially at store level. With a more positive investment climate in coming months, SSI's fundamental worth will be accorded a greater value by investors than in the recent past. I believe this will result in a higher market valuation for the company in 2009.

Thank you

Teddy Cheng