



IIN INTERNATIONAL LIMITED

國訊國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2005

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on the GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

The principal means of information dissemination on the GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on the GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for and loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of IIN International Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to IIN International Limited. The directors of IIN International Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

* For identification purpose only

The board of directors (“Directors”) of IIN International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2005, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Turnover	5	60,069	113,944
Cost of sales		<u>(51,527)</u>	<u>(97,790)</u>
Gross profit		8,542	16,154
Other revenue and gains	5	1,381	1,480
Selling and distribution costs		(5,608)	(9,321)
Administrative expenses		(21,995)	(28,213)
Other operating expenses		(36,028)	(14,668)
Impairment of goodwill		(30,763)	(15,000)
Loss from operating activities	6	(84,471)	(49,568)
Finance costs	7	(1,863)	(2,057)
Loss before taxation		(86,334)	(51,625)
Taxation	8	(240)	(920)
Loss before minority interests		(86,574)	(52,545)
Minority interests		4,477	4,083
Net loss from ordinary activities attributable to shareholders		<u>(82,097)</u>	<u>(48,462)</u>
Loss per share	<i>10</i>		
Basic		<u>HK5.32 cents</u>	<u>HK3.31 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET*As at 30 September 2005*

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS AND LIABILITIES		
Non-current assets		
Fixed assets	36,416	40,868
Intangible assets	184	769
Rental deposits and golf club membership	873	873
Pledged deposits	–	9,345
Goodwill	–	28,774
	<u>37,473</u>	<u>80,629</u>
Current assets		
Inventories	4,443	2,220
Trade and retention receivables	18,995	55,967
Prepayments, trade deposits, other deposits and other receivables	5,640	9,608
Due from related companies	2,628	3,150
Pledged deposits	5,093	1,719
Cash and cash equivalents	1,230	13,994
	<u>38,029</u>	<u>86,658</u>
Current liabilities		
Trade and bills payables	30,865	21,206
Accrued liabilities, deposits received and other payables	19,727	30,387
Interest-bearing bank and other loans	23,998	22,504
Due to directors	1,476	–
Tax payable	4,113	4,113
	<u>80,179</u>	<u>78,210</u>
Net current (liabilities)/assets	<u>(42,150)</u>	<u>8,448</u>
Total assets less current liabilities	<u>(4,677)</u>	<u>89,077</u>
Non-current liabilities		
Interest-bearing bank and other loans	–	14,019
Minority interests	<u>7,981</u>	<u>12,458</u>
	<u>(12,658)</u>	<u>62,600</u>
CAPITAL AND RESERVES		
Issued capital	120,359	120,359
Reserves	(133,017)	(57,759)
	<u>(12,658)</u>	<u>62,600</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2005

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 October 2003	112,041	54,964	(4,742)	4	4,568	(13)	(67,071)	99,751
Issue of shares upon acquisition of subsidiaries	8,318	-	-	-	-	-	-	8,318
Surplus arising on revaluation of leasehold land and buildings	-	-	-	-	493	-	-	493
Net gains not recognised in the income statement	-	-	-	-	493	-	-	493
Goodwill transferred to income statement on impairment	-	-	2,500	-	-	-	-	2,500
Net loss for the year	-	-	-	-	-	-	(48,462)	(48,462)
At 30 September 2004 and 1 October 2004	120,359	54,964	(2,242)	4	5,061	(13)	(115,533)	62,600
Deficit arising on revaluation of leasehold land and buildings	-	-	-	-	(363)	-	-	(363)
Net losses not recognised in the income statement	-	-	-	-	(363)	-	-	(363)
Goodwill transferred to income statement on impairment	-	-	7,202	-	-	-	-	7,202
Net loss for the year	-	-	-	-	-	-	(82,097)	(82,097)
At 30 September 2005	<u>120,359</u>	<u>54,964</u>	<u>4,960</u>	<u>4</u>	<u>4,698</u>	<u>(13)</u>	<u>(197,630)</u>	<u>(12,658)</u>

EXTRACT OF REPORT OF THE AUDITORS

Fundamental uncertainty relating to the going concern basis of the financial statements

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the raising of funds for the Group and the assumption that the Group will generate positive cash flows from its businesses. The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these potential adjustments has not been reflected in the financial statements. We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to operate as a going concern are so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2005 or of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Notes:

1. BASIS OF PRESENTATION

As at 30 September 2005, the Group had net current liabilities of HK\$42,150,000 and net liabilities of HK\$12,658,000. Notwithstanding these, the financial statements have been prepared on the going concern basis which assumes that the Group will continue to operate as a going concern. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed financing arrangements which include, but are not limited to, the following:

- 1) the directors are in the process of identifying and negotiating with potential investors in respect of injection of new equity into the Group (the “New Funding”).
- 2) the directors are in the process of securing the ongoing support of the Group’s major bankers (the “Ongoing Support”); and
- 3) the directors anticipate that the Group will generate positive cash flows from its businesses.

On the basis that the New Funding will be successful, the Ongoing Support will continue to be in place and that positive cash flows will be generated from the Group’s businesses, the directors consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis. However, should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these potential adjustments has not been reflected in the financial statements.

2. BASIS OF PREPARATION

These financial statements are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards (which include Statements of Standard Accounting Practice (“SSAPs”) and Interpretations) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets as further described in the respective accounting policy below.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 September 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers product and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the telecommunications network infrastructure solutions segment consists of the sale of the broadband data network information platform developed by the Group as well as the integration of third-party software and hardware for telecommunications sectors;
- (b) the network management solutions segment consists of the sale of network management software for telecommunications sectors;
- (c) the other network solutions for sectors other than telecommunications segment consists of the design, implementation and maintenance of network systems for customers in sectors other than telecommunications sectors;
- (d) the transmission segment consists of the manufacturing and sale of communication cables and optical cables, primarily for communications sectors; and
- (e) the corporate and other segment consists of the Group's investing holding, corporate assets and liabilities items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) *Business segments*

The following tables present revenue, result and certain asset, liability and expenditure information for the Group's business segments.

Group

	Telecommunications network infrastructure solutions				Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	27,806	51,721	861	2,838	2,173	14,467	29,229	44,918	-	-	60,069	113,944		
Intersegment sales	8,641	1,868	-	-	3,422	15	-	-	(12,063)	(1,883)	-	-		
Total	<u>36,447</u>	<u>53,589</u>	<u>861</u>	<u>2,838</u>	<u>5,595</u>	<u>14,482</u>	<u>29,229</u>	<u>44,918</u>	<u>(12,063)</u>	<u>(1,883)</u>	<u>60,069</u>	<u>113,944</u>		
Segment results	<u>(28,292)</u>	<u>(19,944)</u>	<u>(7,330)</u>	<u>(6,178)</u>	<u>(12,719)</u>	<u>(4,753)</u>	<u>(6,748)</u>	<u>(5,173)</u>	<u>-</u>	<u>-</u>	<u>(55,089)</u>	<u>(36,048)</u>		
Unallocated income and gains													1,381	1,480
Unallocated expenses													<u>(30,763)</u>	<u>(15,000)</u>
Loss from operating activities													<u>(84,471)</u>	<u>(49,568)</u>
Finance costs													<u>(1,863)</u>	<u>(2,057)</u>
Loss before taxation													<u>(86,334)</u>	<u>(51,625)</u>
Taxation													<u>(240)</u>	<u>(920)</u>
Loss before minority interests													<u>(86,574)</u>	<u>(52,545)</u>
Minority interests													<u>4,477</u>	<u>4,083</u>
Net loss from ordinary activities attributable to shareholders													<u>(82,097)</u>	<u>(48,462)</u>

Group

	Telecommunications network infrastructure solutions				Other network solutions for sectors other than telecommunications				Corporate and other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>4,353</u>	<u>41,752</u>	<u>1,751</u>	<u>12,562</u>	<u>141</u>	<u>1,641</u>	<u>46,065</u>	<u>45,913</u>	<u>-</u>	<u>-</u>	<u>52,310</u>	<u>101,868</u>
Unallocated assets									<u>23,192</u>	<u>65,419</u>	<u>23,192</u>	<u>65,419</u>
Total asset											<u>75,502</u>	<u>167,287</u>
Segment liabilities	<u>24,545</u>	<u>29,824</u>	<u>14,854</u>	<u>8,147</u>	<u>2,207</u>	<u>2,034</u>	<u>29,439</u>	<u>22,005</u>	<u>-</u>	<u>-</u>	<u>71,045</u>	<u>62,010</u>
Unallocated liabilities									<u>9,134</u>	<u>30,219</u>	<u>9,134</u>	<u>30,219</u>
Total liabilities											<u>80,179</u>	<u>92,229</u>
Other segment information:												
Depreciation	1,751	1,416	1,040	784	63	399	1,570	1,440	33	741	4,457	4,780
Impairment of goodwill	-	-	-	-	-	-	-	-	30,763	15,000	30,763	15,000
Amortisation of goodwill	-	-	-	-	-	-	-	-	5,213	3,872	5,213	3,872
Deficit/(Surplus) arising on revaluation of leasehold land and buildings – recognised directly in equity	-	-	-	-	-	-	-	-	363	(493)	363	(493)
Amortisation of deferred development cost	-	-	536	958	-	-	-	-	-	-	536	958
Provision for bad and doubtful debts	7,978	4,267	9,346	-	93	(259)	4,981	2,881	-	-	22,398	6,889
Provision for other receivables	511	2,164	6,297	-	3	-	501	467	-	190	7,312	2,821
Provision for obsolete inventories	159	-	147	-	-	-	-	-	-	-	306	-
Loss on written-off of intangible assets	-	-	49	-	-	-	-	-	-	-	49	-
Capital expenditure	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>	<u>798</u>	<u>310</u>	<u>-</u>	<u>16</u>	<u>808</u>	<u>522</u>

(b) Geographical segments

Over 90% of the Group's revenue, assets and liabilities are derived from customers based in the PRC and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and business tax where applicable, and services rendered. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	<u>60,069</u>	<u>113,944</u>
Other revenue and gains:		
Bank interest income	42	232
Others	<u>1,339</u>	<u>1,248</u>
	<u>1,381</u>	<u>1,480</u>

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2005 HK\$'000	2004 HK\$'000
Cost of inventories sold and services provided	51,527	97,790
Depreciation	4,457	4,780
Research and development costs:		
Deferred development costs amortised*	536	958
Loss on write-off of intangible assets*	49	–
Current year expenditure**	–	5,820
	<u>585</u>	<u>6,778</u>
Goodwill:		
Amortisation for the year*	5,213	3,872
Impairment arising during the year	30,763	15,000
	<u>35,976</u>	<u>18,872</u>
Minimum lease payments under operating leases in respect of land and buildings	1,497	1,153
Staff costs (including directors' emoluments):		
Wages and salaries	10,135	13,186
Pension scheme contributions	144	163
	<u>10,279</u>	<u>13,349</u>
Provision for bad and doubtful debts*	22,398	6,889
Provision for other receivables*	7,312	2,821
Provision for obsolete inventories*	306	–
Loss on disposal of fixed assets*	214	128

* *Amortisation of deferred development costs, amortisation of goodwill, loss on write-off of intangible assets, provision for bad and doubtful debts, provision for other receivables, provision for obsolete inventories and loss on disposal of fixed assets for the year are included in "Other operating expenses" on the face of the consolidated income statement.*

** *For the year ended 30 September 2004, the research and development costs included an amount of approximately HK\$3,520,000 (relating to staff costs which is also included in the staff costs total amount disclosed above).*

7. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	1,516	1,496
Interest on other loans	347	561
	<u>1,863</u>	<u>2,057</u>

8. TAXATION

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong		
Tax for the year	–	725
Current tax – PRC		
Tax for the year	240	–
Under-provision in respect of prior years	–	195
	<u>240</u>	<u>920</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2004: 17.5%). Taxes on profit assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	<u>(86,334)</u>	<u>(51,625)</u>
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	(15,108)	(9,034)
Different tax rate of other jurisdiction	(955)	(605)
Expenses not deductible for tax	14,068	7,712
Income not subject to tax	(45)	(210)
Tax losses not recognised	2,280	2,901
Adjustments in respect of current tax of previous periods	–	195
Tax losses utilised from previous periods	–	(39)
Actual tax expense	<u>240</u>	<u>920</u>

The Group has tax losses of approximately HK\$96,810,000 (2004: HK\$88,483,000) that are available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses as it is not probable that future taxable profit will be available against which these unused tax losses can be utilised.

As at 30 September 2005, the Group and the Company did not have any significant unprovided deferred tax liabilities (2004: Nil).

9. DIVIDEND

The Company resolved not to declare a final dividend in respect of the year (2004: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$82,097,000 (2004: HK\$48,462,000) and the weighted average of 1,543,160,470 (2004: 1,464,197,941) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 September 2005 and 2004 have not been disclosed as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for these years.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Turnover for the fiscal year ended 30 September 2005 amounted to approximately HK\$60.1 million compared with approximately HK\$113.9 million last year, representing a drop of 47.2%. The decrease in turnover was attributable to the intense market competition and the conservative attitude adopted by the Group in selecting projects, while the businesses of the electronic payment platform (the “e-Pay”) and “Enterprise IP Network Management and Maintenance Service Platform” (the “IP Service”), which are the Company’s focus of development, failed to generate operating revenue due to the lack of funds, and the revenue from the transmission solutions by Wujiang Shengxin Optoelectronics Technology Co, Ltd. (“Shengxin”) also declined substantially due to rising prices of copper.

Excluding the provisions of trade receivables and other receivables and inventories as well as impairment of goodwill totaling approximately HK\$60.8 million (2004: approximately HK\$24.7 million), the Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$21.3 million during the year (2004: approximately HK\$23.8 million). During the year, the Group remained committed to implementing cost control measures but the decrease in turnover during the year offset the effect of cost control measures taken.

Gross profit margin

Gross profit margin for the year under review was 14.2% which was the same as that of last year. During the year under review, the Group has taken cautious steps in setting its bidding prices and did not submit tenders for those projects with an unacceptable margin. Therefore, the Group was still able to achieve last year’s gross profit margin but unavoidably recorded a decrease in turnover.

Sales and distribution costs and administrative expenses

Sales and distribution costs for the year under review totaled approximately HK\$5.6 million (2004: approximately HK\$9.3 million). Sales and distribution costs, as well as turnover of the Group decreased during the year.

Administrative expenses decreased to approximately HK\$22.0 million in 2005 (2004: approximately HK\$28.2 million). The decrease in administrative expenses was a result of the Group’s concerted efforts to maximize operational efficiency and streamline operational expenses.

Segmental information

Turnover generated from providing network infrastructure solutions amounted to approximately HK\$27.8 million, accounting for 46.3% of the turnover for the year under review (2004: approximately HK\$51.7 million) and representing a decrease of 46.2%. The substantial decrease in the turnover of network infrastructure solutions, customarily the Group's principal source of revenue, was due to intense market competition.

Turnover generated from providing network management solutions decreased to approximately HK\$0.86 million (2004: approximately HK\$2.8 million), accounting for 1.4% of the turnover for the year under review. Turnover generated from providing other network solutions for customers in other market sectors in the PRC, primarily for governmental and corporate projects, was approximately HK\$2.2 million, accounting for 3.6% of the turnover for the year under review (2004: approximately HK\$14.5 million).

Turnover generated from the transmission solutions by Shengxin amounted to approximately HK\$29.2 million, accounting for 48.7% of the turnover for the year under review (2004: approximately HK\$44.9 million).

Order book

As at the date of this announcement, the Group has secured approximately HK\$10.0 million worth of contracts on hand.

Financial resources and liquidity

Net current liabilities of the Group as at 30 September 2005 were approximately HK\$42.2 million (2004: net current assets of approximately HK\$8.4 million). As at 30 September 2005, the Group had short-term cash and bank deposits (including pledged deposits of HK\$5.1 million) of approximately HK\$6.3 million (2004: approximately HK\$15.7 million). The decrease in the value of net current assets and cash and bank deposit balance was a result of the operating losses recorded during the year under review.

As at 30 September 2005, the Group's total bank and other borrowings repayable within one year or on demand amounted to approximately HK\$24.0 million at fixed interest rates ranging from 5.04% p.a. to 8% p.a. (2004: approximately HK\$36.5 million at fixed interest rates ranging from 5.04% p.a. to 8% p.a.).

Charge on Group assets

As at 30 September 2005, the Group's bank loans and other bank facilities were secured by charges on the Group's bank deposits of approximately HK\$5,093,000 million (2004: fixed deposits of approximately HK\$11.1 million), and legal charges on the Group's leasehold land and buildings, plants and machinery and motor vehicles with carrying values of approximately HK\$26.2 million (2004: approximately HK\$27.2 million), approximately HK\$4.3 million (2004: approximately HK\$5.1 million) and HK\$Nil million (2004: approximately HK\$0.3 million) respectively.

Exposure to fluctuations in exchange rates

The Group continues to adopt a conservative treasury policy by keeping all bank deposits in either Hong Kong Dollars or in the local currencies of the places where the Group's subsidiaries are operating, to minimize its exposure to foreign exchange risks.

Gearing ratio

The Group's gearing ratio as at 30 September 2005 increased to 106.2% (2004: 55.1%). The gearing ratio was based on the Group's total liabilities over its total assets.

Employees

As at 30 September 2005, the Group has had 175 employees including 138 employees of Shengxin and 8 employees of Chengdu TM Network Corporation ("Chengdu TM") as compared with 265 employees for the same period last year. The staff costs, including directors' emoluments, totaled approximately HK\$10.3 million for the year under review (2004: approximately HK\$13.3 million). During the year under review, the Group strived to streamline operations and keep the costs under control so that the number of employees (excluding the employees of Shengxin and Chengdu TM) and the amount of staff costs could be reduced.

The Group's remuneration and bonus policies are basically determined by the performance of individual employee.

Share option schemes

The Group has adopted two share option schemes whereby some directors and employees of the Group may be granted an option to subscribe for the shares of the Company. Details of the share option schemes are set out in the section under "Share Option Scheme" of this Announcement.

Contingent liabilities

As at the date of this announcement, the Directors have had no knowledge of any material contingent liabilities (2004: Nil).

Dividend

The directors do not recommend the payment of a final dividend for the year ended 30 September 2005 (2004: Nil).

Capital structure

During the year under review, there was no movement of the share capital of the Company.

As at 30 September 2005, 1,543,160,470 shares of the Company were issued and fully paid.

Capital commitment and substantial investments

The Group did not have any capital commitment and substantial investments during the year under review.

Future plans for substantial investments or capital assets

As at the date of this announcement, the Group did not have any plans for substantial investments or capital assets.

Major acquisitions or disposals

The Group did not have any major acquisitions or disposals during the year under review.

Trade receivables discloseable under Chapter 17 of the GEM Listing Rules

As at 30 September 2005, there were 1,543,160,470 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.0334 per share as stated in the Stock Exchange's daily quotation sheet for the trading days from 23 September 2005 to 29 September 2005 (both days inclusive), being the five trading days immediately preceding 30 September 2005, the total market capitalization of the Company was approximately HK\$51.5 million (the "Total Market Capitalization").

As at 30 September 2005, the following Trade Receivable exceeded 8% of the Total Market Capitalization.

Customer	Amount due to the Group as at 30 September 2005 <i>HK\$ million</i>	Percentage ratio to Total Market Capitalization
中國網通(集團)有限公司河南省分公司	7.8	15%

The Trade Receivables was arisen from sales to the customers by the Group during its ordinary course of business and on normal commercial terms. The Trade Receivable is unsecured, interest-free. The payment terms of the Trade Receivable is set out under the relevant contracts.

The above customers is independent of, and is not connected with the Company or its subsidiaries, the directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries and their respective associates (as defined in the GEM Listing Rules).

As disclosed in the Company third quarterly report dated 12 August 2005, there are three trade receivables due by 北京國創華利科技有限公司, 上海華立通信信息有限公司 and 上海吾凌通信工程有限公司 amounted to HK\$7,660,000, HK\$3,100,000 and HK\$4,700,000 respectively. Taking into account of no progress being made and the aging of these trade receivables as at 30 September 2005, a full provision to these three trade receivables were made.

Save for the above, as at 30 September 2005, so far as was known to the Directors, there was no other advance which would give rise to disclosure obligation under Rules 17.15 and 17.17 of the GEM Listing Rules.

BUSINESS REVIEW

The principal business of the Group is to provide network solutions. However, the Group made a strategic review in the past one year in the network infrastructure solutions and system integration projects which recorded falling profit margin, resulting in a considerable decrease in the turnover of the Group.

Network infrastructure solutions

The network infrastructure solutions business has always been a principal source of revenue of the Group in the past few years. The Company generated a turnover from this segment of approximately HK\$27.8 million, accounting for 46.3% of the turnover during the year under review. However, the profit margin of the projects in this business segment continued to be under pressure, with a sales profit margin amounting to 10% approximately. We have taken cautious steps in screening projects with an acceptable profit margin.

Network management solutions and other network solutions

This business segment has declined to a less important level during the period under review. Construction of local network management projects, which has been carried out over the past several years, is close to completion. In this business segment, we have switched to the development of “Enterprise IP Network Management and Maintenance Service Platform” (the “IP Service”), using our existing technology as the base.

Electronic payment platform and Enterprise IP Network Management and Maintenance Service Platform

The Group has made an adjustment to its business by focusing on the development of the electronic payment platform (“e-Pay”) and Enterprise IP Network Management and Maintenance Service Platform (“IP service”). As the e-Pay is still at a preliminary stage in the PRC market with a wide range of applications, the Group believes that it holds a huge market potential. The Group has worked together with manufacturers which possess the core technology on improving the technology and carrying out marketing. The Group has acquired the patented technology of the IP service and teamed up with telecommunications operators in launching the service to the market, which was well-received by the market. However, these two businesses failed to generate any benefits during the period under review and currently come to a halt owing to the Group’s acute shortage of operating funds at the present stage.

Transmission solutions

The Group provides transmission solutions through Shengxin in which it indirectly owns a 51% equity interest. Shengxin is mainly engaged in the manufacturing and sale of communication cables and optical fiber cables. This business segment accounted for 48.7% of the turnover of the Group in the year under review, which is a major percentage. However, the rising prices of copper, a major raw material for Shengxin, have created an adverse effect on the business of transmission solutions, which was still at a loss during the period under review.

Research and development

In year 2004, our research and development team embarked on the research and development of the “Enterprise IP Network Management and Maintenance Service Platform” to enable corporate clients to centrally manage and maintain IP networks and elements. We have already been awarded a patent certificate accordingly from China’s Bureau of Information Industry.

The Group has been striving to seek potential investors for new financing in order to support the continuous development of business and select strategic partners. It is intended to stimulate the further expansion of business of the Company as well as to enhance profitability and improve the contribution to profit of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2005, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of issued share of US\$0.01 each in the Company held and the capacity	
		Total	Percentage of the Company's issued share capital
Mr. Wu Shu Min	Beneficial owner	154,823,000	10.03%
Mr. Chang Ye Min, William	Beneficial owner	6,840,000	0.44%
Mr. Leong Ka Cheong, Christopher (<i>note</i>)	Nominee	371,988,350	24.11%

Note: The sole shareholder of Multico Holdings Limited ("MHL") and Huiya South China Investments Limited ("Huiya") is Transpac Nominees Pte Ltd. ("TNPL") which is a wholly-owned subsidiary of Transpac Capital Pte Ltd. ("TCPL"). TNPL, through MHL and Huiya, holds the 371,988,350 shares as nominee for three investment funds, namely Transpac Capital 1996 Investment Trust, Transpac Capital Parallel 1996 Investment Trust and Transpac Managers III Ltd in respect of approximately 96.0 per cent, 3.0 per cent and 1.0 per cent of the 371,988,350 shares. TCPL is the manager of a number of venture capital funds including those specified herein and Mr. Leong is a director of TCPL. Transpac Managers III Ltd is a venture capital fund contributed by the staff of TCPL to invest in parallel to funds managed by TCPL.

The interests of the directors and the chief executive of the Company in the share options of the Company are separately disclosed under the section of "Share Option Scheme" of this Announcement.

Save as disclosed above, as at 30 September 2005, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short position which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF DEBENTURES

Apart from as disclosed under the sub-heading of “Share Option Scheme” below, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The principal purpose of the share option schemes of the Company is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give incentive to these persons to continue to contribute to the Group's long term success and prosperity. The Company has a share option plan adopted on 7 January 2000 and a share option plan adopted on 22 November 2001.

(a) Pre-IPO Share Option Plan

On 7 January 2000, the Company adopted an employee share option plan (the “Pre-IPO Share Option Plan”). The Pre-IPO Share Option Plan was valid and effective for a period not exceeding eight years commencing from 7 January 2000.

Under the Pre-IPO Share Option Plan, the grantees may include (a) any full-time employee and director (including non-executive director and independent non-executive director) of the Company or any of its subsidiaries; (b) any part-time employee with weekly working hours of 15 hours and above of the Company or any of its subsidiaries; (c) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (d) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria.

The offer of a grant of share options may be accepted within 21 days from the date of the offer with no consideration being payable by the grantee.

The share subscription price in respect of any particular option granted under the Pre-IPO Share Option Plan was determined by the board of directors from time to time. The maximum number of shares in respect of the options granted under the Pre-IPO Share Option Plan in an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Pre-IPO Share Option Plan. At 30 September 2005, the number of shares issuable under share options granted under the Pre-IPO Share Option Plan was 38,678,000 which represented approximately 2.5% of the Company's shares in issue as at that date.

Upon listing of the Company's shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 30 November 2001, no further share options will be granted under the Pre-IPO Share Option Plan.

The following share options were outstanding under the Pre-IPO Share Option Plan during the year:

	Number of share options outstanding under Pre-IPO Share Option Plan				As at 30 September 2005	Date of grant of share options	Exercise period of share options	Adjusted exercise price per share* HK\$
	As at 1 October 2004	Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors								
Mr. Chang Ye Min, William	15,000,000	-	-	-	15,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	5,000,000	-	-	-	5,000,000	23 May 2000	23 May 2000 to 22 May 2008	0.515
Mr. Wu Shu Min	5,000,000	-	-	-	5,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	10,000,000	-	-	-	10,000,000	26 February 2000	26 February 2000 to 25 February 2008	0.150
	<u>35,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000,000</u>			
Other employees								
In aggregate	<u>4,278,000</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>3,678,000</u>	<i>Note 1</i>	<i>Note 2</i>	0.150
	<u><u>39,278,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(600,000)</u></u>	<u><u>38,678,000</u></u>			

* *The exercise price per share was adjusted for the consolidation and capitalisation issue of the Company's shares on 22 November 2001, as well as conversion from US\$ to HK\$.*

Notes:

1. Approximately 86% and 14% of the outstanding share options were granted on 7 January 2000 and 26 February 2000, respectively.
2. Approximately 86% and 14% of the outstanding share options granted are exercisable during the periods from 7 January 2000 to 6 January 2008 and 26 February 2000 to 25 February 2008, respectively.

(b) Share Option Plan

On 22 November 2001, the Company adopted a share option scheme (the “Share Option Plan”) conditionally upon the listing of the Company’s shares on the GEM of the Stock Exchange on 30 November 2001. The Share Option Plan became valid and effective on 30 November 2001 and, unless otherwise cancelled or amended, will remain in force for a period of ten years commencing from the date of adoption.

Under the Share Option Plan, the grantees may include (i) any full-time employee, director (including non-executive director and independent non-executive director) and part-time employee with weekly working hours of 15 hours and above of the Company and any of its subsidiaries; (ii) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (iii) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria.

No option may be granted to any one person which if exercised in full would result in the total number of shares of the Company already issued and issuable to him under all the options previously granted to him and the said option exceeding one percent of the number of the shares of the Company in issue in any 12-month period up to the date of grant. Any further grant of options in excess of the one percent limit must be subject to shareholders’ approval, with that participant and his associates abstaining from voting.

The maximum number of shares in respect of which options may be granted under the Share Option Plan and any other share option scheme of the Company is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Share Option Plan or any other share option scheme. At 30 September 2005, the number of shares issuable under share options granted under the Share Option Plan was 68,100,000, which represented approximately 4.4% of the Company’s shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Plan and any other schemes must not exceed 30% of the shares of the Company from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Share Option Plan, if earlier.

The exercise price of share options is determined by the board of directors, but may not be less than the higher of (i) the closing price of the Company’s shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company’s shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The following share options were outstanding under the Share Option Plan during the year:

	Number of share options outstanding under Share Option Plan					As at 30 September 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Company's share price at the date immediately before the grant date of options HK\$
	As at 1 October 2004	Grant during the year	Exercised during the year	Cancelled during the year	Lapsed during the year					
Directors										
Mr. Chang Ye Min, William	10,000,000	-	-	-	-	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465	0.455
	3,000,000	-	-	-	-	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Wu Shu Min	10,000,000	-	-	-	-	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465	0.455
	3,000,000	-	-	-	-	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Jin Feng	3,000,000	-	-	-	-	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Ng Ching Wo [#]	1,000,000	-	-	-	(1,000,000)	-	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chan Wai Dune [#]	1,000,000	-	-	-	-	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chen Junliang [#]	1,000,000	-	-	-	-	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chang Xiao Hui [*]	6,000,000	-	-	-	-	6,000,000	1 March 2002	1 March 2002 to 21 December 2011	0.475	0.470
	3,000,000	-	-	-	-	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Li Jun Chao [*]	2,000,000	-	-	-	-	2,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	43,000,000	-	-	-	(1,000,000)	42,000,000				
Other employees										
In aggregate	14,000,000	-	-	-	(4,900,000)	9,100,000	1 March 2002	1 March 2002 to 21 December 2011	0.475	0.470
	22,000,000	-	-	-	(5,000,000)	17,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	36,000,000	-	-	-	(9,900,000)	26,100,000				
Others										
In aggregate	7,500,000	-	-	-	(7,500,000)	-	1 March 2002	1 March 2002 to 1 March 2005	0.475	0.470
	<u>86,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,400,000)</u>	<u>68,100,000</u>				

* appointed as directors during the year.

resigned as directors during the year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER SFO

So far as is notified to the directors of the Company, as at 30 September 2005, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long positions

Name	Capacity	Interest in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
MHL (<i>Note 1</i>)	Beneficial owner	362,948,350	23.52%	–	362,948,350
TNPL (<i>Note 1</i>)	Nominee	371,988,350	24.11%	–	371,988,350
TCPL (<i>Note 1</i>)	Nominee	371,988,350	24.11%	–	371,988,350
Ms. Lei Dong Ling (<i>Note 2</i>)	Interests of spouse	154,823,000	10.03%	28,000,000	182,823,000
Mr. Zhu Rong (<i>Note 3</i>)	Beneficial Owner	86,894,000	5.63%	–	86,894,000
Ms. Wu Yong Jun (<i>Note 3</i>)	Interests of spouse	86,894,000	5.63%	–	86,894,000

Notes

- MHL and Huyia held 362,948,350 shares and 9,040,000 shares respectively and the sole shareholder of MHL and Huiya is TNPL which in turn is a wholly-owned subsidiary of TCPL. Both TNPL and TCPL therefore are deemed to be interested in 371,988,350 shares in which MHL and Huiya are interested. TNPL through MHL and Huiya, holds the 371,988,350 shares as nominee for three investment funds, namely Transpac Capital 1996 Investment Trust, Transpac Capital Parallel 1996 Investment Trust and Transpac Managers III Ltd in respect of approximately 96.0 per cent, 3.0 per cent and 1.0 per cent of the 371,988,350 shares. TCPL is the manager of a number of venture capital funds including those specified herein.
- Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under section 316 of the SFO, Ms. Lei Dong Ling is therefore deemed to be interested in all 154,823,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.
- Ms. Wu Yong Jun is the spouse of Mr. Zhu Rong. Under section 316 of the SFO, Ms. Wu Yong Jun is therefore deemed to be interested in all 86,894,000 shares in which Mr. Zhu Rong is interested.

Save as disclosed above, as at 30 September 2005, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests, with the Group.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") established with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group and to provide advice to the directors of the Company.

The Audit Committee presently comprises Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen, independent non-executive directors of the Company. During certain periods of the year, the Audit Committee comprised one or two members. Therefore, the Company failed to strictly comply with Rule 5.28 of the GEM Listing Rules which requires that a listed issuer shall establish an audit committee comprising a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2). The Audit Committee has reviewed the Group's financial statements for the year ended 30 September 2005 and has provided advice and comments thereon. The Audit Committee held four meetings during the year.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinion of the directors, the Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules (before amendments effective 1 January 2005) for the year under review except that during certain periods of the year, the Company had only one or two independent non-executive directors and had not employed a qualified accountant, and the Audit Committee comprised one or two members.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the year, the directors have complied with the required standard of dealings as set out in Rules 5.46 to 5.68 of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

As of the date of this announcement, the Board of Directors of the Company comprises Mr. Wu Shu Min, Mr. Jin Feng, Mr. Chang Xiao Hui and Mr. Li Jun Chao as executive Directors, Mr. Leong Ka Cheong, Christopher and Mr. Chang Ye Min, William as non-executive Directors, Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen as independent non-executive Directors.

By order of the board of
IIN International Limited
Wu Shu Min
Chairman

Hong Kong, 30 December 2005