



## IIN INTERNATIONAL LIMITED

國訊國際有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8128)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 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.

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*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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

\* For identification purpose only

## **HIGHLIGHTS**

Turnover recorded approximately HK\$13.2 million for the Review Period.

Net loss amounted to approximately HK\$1.5 million for the Review Period.

No dividend was declared for the Review Period.

## **BUSINESS REVIEW AND PROSPECTS**

During the three months ended 31 December 2005 (the “Review Period”), the turnover of IIN International Limited (the “Company”) together with its subsidiaries (the “Group”) decreased by approximately 59% as compared to that of the corresponding period of last year. The significant decrease was mainly due to the fact that the Group’s turnover was mostly generated from the transmission segment while no contribution was made to the Group from its network infrastructure solutions and network management solutions segments as a result of the gradual fading out of system integration business by the Group.

As the Group has continuously devoted great effort in identifying business opportunity and potential strategic partner for enhancement of the business and improvement of the income base of the Group, we have explored an opportunity to develop the radio frequency identification (“RFID”) project and related projects. The RFID technology has a wide range of commercial applications particularly by applying such technology for tracking goods and merchandise for logistics industry. In addition, as announced by the Company on 3 February 2006, a placing of 85,000,000 new shares of the Company at a subscription price of HK\$0.078 per share to a subscriber was agreed and the subscription will be completed shortly. The Group has obtained financial support for the development of the RFID project and related projects and the subscriber also has confidence on the prospect of these projects. The Group believes that a positive financial contribution by these projects to the Group’s turnover will be realized in the near future.

While the Group will allocate the resources on the development of RFID projects, efforts will also be put on the further development of electronic payment platform (the “e-Pay”) and “Enterprise IP Network Management and Maintenance Service Platform” (the “IP Service”) by the promotion and launch of the services to the potential customers. The Group believes that the market potential for the e-Pay and the IP Service are still promising.

Albeit the e-Pay, IP Service and RFID projects are all in its preliminary stage of development and launching to the market with no financial contribution to the Group at present, the Group will resolutely pursue all these business opportunities and look forward to delivering a positive and satisfactory result to the Group and our shareholders in the near future.

## FINANCIAL REVIEW

The Group's turnover during the Review Period dropped to approximately HK\$13.2 million compared to approximately HK\$32.4 million for the corresponding period last year. The decrease in turnover was mainly due to the Company's gradual fading out of the network infrastructure solutions segment with lower gross profit margin.

During the Review Period, turnover contributed from transmission segment, amounting to approximately HK\$12.9 million, represented approximately 98% of the Group's turnover (corresponding period last year: approximately HK\$4.3 million, representing approximately 13% of the Group's turnover). As the Group's existing business was mainly generated from the transmission segment with lower gross profit margin, the gross profit margin of the Group for the Review Period was approximately 14% as compared to that of the corresponding period last year of approximately 12%.

During the Review Period, the Group's net loss from ordinary activities attributable to shareholders was substantially narrowed down to approximately HK\$1.5 million compared to approximately HK\$4.8 million for the corresponding period last year. It was mainly due to the Group's further implementation of cost control measures and the significant decrease in amortization costs for the Review Period resulting from the provision for partial assets in light of its business transformation for the prior year.

In view of the shrinking business segments, selling and distribution costs of the Group for the Review Period dropped significantly from approximately HK\$1.4 million for the corresponding period last year to approximately HK\$1.0 million.

Administrative expenses of the Group for the Review Period decreased by approximately 63% to approximately HK\$2.2 million from approximately HK\$5.9 million for the corresponding period last year. The decrease in administrative expenses was mainly attributable to the Group's continuing effort in cost control and the shrinking of business segments.

## RESULTS

The Board of Directors (the “Board”) of IIN International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 December 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>For the three months ended 31 December</b>	
	<i>Notes</i>	<b>2005</b>	2004
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Turnover	2	<b>13,220</b>	32,422
Cost of sales		<b>(11,431)</b>	(28,602)
Gross profit		<b>1,789</b>	3,820
Other revenue		<b>611</b>	927
Selling and distribution costs		<b>(1,004)</b>	(1,362)
Administrative expenses		<b>(2,210)</b>	(5,914)
Other operating expenses		<b>(52)</b>	(2,019)
Loss from operating activities	3	<b>(866)</b>	(4,548)
Finance costs		<b>(325)</b>	(360)
Loss before tax		<b>(1,191)</b>	(4,908)
Tax	4	<b>(38)</b>	(19)
Loss after tax		<b>(1,229)</b>	(4,927)
Attributable to:			
Equity holders of the Company		<b>(1,500)</b>	(4,827)
Minority interests		<b>271</b>	(100)
		<b>(1,229)</b>	(4,927)
Dividend	5	–	–
Loss per share	6		
– Basic ( <i>HK cents</i> )		<b>(0.10)</b>	(0.31)
– Diluted ( <i>HK cents</i> )		N/A	N/A

Notes:

## 1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for current or prior accounting periods are prepared and presented.

### HKAS 1 Presentation of Financial Statements and HKAS 27 Consolidated and Separate Financial Statements

The adoption of HKAS 1 and HKAS 27 affects certain presentation and disclosure of the accounts. According to HKAS 1 and HKAS 27, minority interests at the balance sheet are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit and loss for the period between minority interests and the equity holders of the Company.

The unaudited consolidated results have been reviewed by the Company’s audit committee.

## 2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and business tax where applicable, and services rendered.

An analysis of the Group’s turnover is as follows:

	For the three months ended 31 December	
	2005	2004
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Network infrastructure solutions	–	27,517
Network management solutions	–	589
Other network solutions for sectors other than telecommunications	293	–
Transmission	12,927	4,316
	<u>13,220</u>	<u>32,422</u>

### 3. Loss from operating activities

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

	For the three months ended 31 December	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Staff costs (including directors' emoluments)	1,072	2,483
Depreciation	570	924
Amortization of deferred development costs	52	172
Amortization of goodwill	-	1,352
Minimum lease payments under operating leases in respect of land and buildings	126	433
Provision for doubtful debts	-	495
	<u>          </u>	<u>          </u>

### 4. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 December 2005 (2004: Nil).

PRC corporate income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the three months ended 31 December 2005 (2004: Nil).

Deferred tax has not been provided as there were no significant timing differences which would give rise to a deferred tax liability as at 31 December 2005 (2004: Nil).

### 5. Dividend

The Board does not recommend payment of a dividend for the Review Period (2004: Nil).

### 6. Loss per share

The calculation of basic loss per share for the three months ended 31 December 2005 is based on the unaudited consolidated net loss from ordinary activities attributable to shareholders of approximately HK\$1,500,000 (2004: approximately HK\$4,827,000) and the weighted average of 1,543,160,470 shares (2004: 1,543,160,470 shares) in issue during the period.

The diluted loss per share for the three months ended 31 December 2005 and 2004 has not been presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the three months ended 31 December 2005 and 2004.

## 7. Reserves

Movement in reserves for the three months ended 31 December 2005 and 2004 were as follows:

	Share premium <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Statutory reserve <i>HK\$'000</i> (Unaudited)	Asset revaluation reserve <i>HK\$'000</i> (Unaudited)	Exchange fluctuation reserve <i>HK\$'000</i> (Unaudited)	Accumulated losses <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 October 2004	54,964	(2,242)	4	5,061	(13)	(115,533)	(57,759)
Net loss for the period	—	—	—	—	—	(4,827)	(4,827)
At 31 December 2004	<u>54,964</u>	<u>(2,242)</u>	<u>4</u>	<u>5,061</u>	<u>(13)</u>	<u>(120,360)</u>	<u>(62,586)</u>
At 1 October 2005	54,964	4,960	4	4,698	(13)	(197,630)	(133,017)
Net loss for the period	—	—	—	—	—	(1,500)	(1,500)
At 31 December 2005	<u>54,964</u>	<u>4,960</u>	<u>4</u>	<u>4,698</u>	<u>(13)</u>	<u>(199,130)</u>	<u>(134,517)</u>

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 31 December 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 5.67 of the GEM Listing Rules, were as follows:

**(a) Long Position in Shares**

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

**(b) Long Position under Equity Derivatives**

*(i) Pre-IPO share options*

Prior to the listing of the Company's shares on the GEM of the Stock Exchange, the board of directors was authorised, at its absolute discretion, to grant options (the "Pre-IPO Share Options") to employees, including directors and chief executive of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of a share option plan (the "Pre-IPO Share Option Plan") adopted by the Company on 7 January 2000. The Pre-IPO Share Option Plan became effective for a period of eight years commencing from 7 January 2000 (date of adopting the Pre-IPO Share Option Plan). As at 31 December 2005, the following directors of the Company were granted or interested in the following options under the Pre-IPO Share Option Plan:

<b>Name of director</b>	<b>Number of share options outstanding as at 1 October 2005 and 31 December 2005</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Adjusted exercise price per share* HK\$</b>
Mr. Wu Shu Min	5,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	10,000,000	26 February 2000	26 February 2000 to 25 February 2008	0.150
Mr. Chang Ye Min, William	15,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	5,000,000	23 May 2000	23 May 2000 to 22 May 2008	0.515

\* 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\$.

(ii) *Post-IPO share options*

On 22 November 2001, the Company conditionally adopted a further share option scheme (the “Scheme”) for a period of ten years from the date on which the Scheme was adopted. The Scheme became unconditional upon the listing of the Company’s shares on the GEM of the Stock Exchange on 30 November 2001. Under the Scheme, the board of directors was authorised, at its absolute discretion, to grant options to employees, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of the Scheme. As at 31 December 2005, the following directors of the Company were interested in the following options under the Scheme:

<b>Name of director</b>	<b>Number of share options outstanding as at 1 October 2005 and 31 December 2005</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
Mr. Wu Shu Min	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465
	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Chang Ye Min, William	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465
	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Jin Feng	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Chang Xiao Hui	6,000,000	1 March 2002	1 March 2002 to 21 December 2011	0.475
	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Li Jun Chao	2,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078

Save as disclosed above, as at 31 December 2005, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of 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 the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules. At any time during the reporting period, there was no debt securities issued by the Group.

## INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 December 2005, persons (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 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, were as follows:

### Long Positions

Name	Capacity	Interests in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
Multico Holdings Limited (Note 1)	Beneficial owner	362,948,350	23.52%	–	362,948,350
Transpac Nominees Pte Ltd. (Note 1)	Nominee	371,988,350	24.11%	–	371,988,350
Transpac Capital Pte Ltd. (Note 1)	Nominee	371,988,350	24.11%	–	371,988,350
Ms. Lei Dong Ling (Note 2)	Interests of spouse	154,823,000	10.03%	28,000,000	182,823,000
Mr. Zhu Rong (Note 3)	Beneficial owner	86,894,000	5.63%	–	86,894,000
Ms. Wu Yong Jun (Note 3)	Interests of spouse	86,894,000	5.63%	–	86,894,000

#### Notes:

- (1) Multico Holdings Limited (“MHL”) and Huiya South China Investments Limited (“Huiya”) held 362,948,350 shares and 9,040,000 shares respectively and the sole shareholder of MHL and Huiya is Transpac Nominees Pte Ltd. (“TNPL”) which in turn is a wholly-owned subsidiary of Transpac Capital Pte Ltd. (“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.
- (2) Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under Section 316 of the SFO, Ms. Lei Dong Ling is deemed to be interested in all 154,823,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.
- (3) Ms. Wu Yong Jun is the spouse of Mr. Zhu Rong. Under Section 316 of the SFO, Ms. Wu Yong Jun is deemed to be interested in all 86,894,000 shares in which Mr. Zhu Rong is interested.

Save as disclosed above, as at 31 December 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.

## DISCLOSURE OF TRADE RECEIVABLES UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 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\$0.0188 per share as stated in the Stock Exchange's daily quotation sheet for the trading days from 22 December 2005 to 30 December 2005 (both days inclusive), being the five trading days immediately preceding 31 December 2005, the total market capitalization of the Company was approximately HK\$29,000,000 (the "Total Market Capitalization").

As at 31 December 2005, each of the following trade receivables (the "Trade Receivables") exceeded 8% of the Total Market Capitalization.

<b>Customers</b>	<b>Amount due to the Group as at 31 December 2005 (HK\$)</b>	<b>Approximate Percentage of Total Market Capitalization</b>
湖南省電信物資供應有限責任公司	3,001,330	10%
中國網通(集團)有限公司河南省分公司	12,632,780	44%

The Trade Receivables were arisen from sales to the customers by the Group during its ordinary course of business and on normal commercial terms. The Trade Receivables were unsecured and interest-free. The payment terms of the Trade Receivables are defined under the relevant contracts and by instalments with reference to the progress of the projects.

The above customers are independent of, and are 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).

Save for the above, as at 31 December 2005, so far as was known to the Directors, there was no other advance which would give rise to disclose obligation under Rules 17.15 and 17.17 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the directors of the Company.

The audit committee currently comprises three independent non-executive Directors, namely, Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen. Mr. Jin Dunshen is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the Review Period and has provided advice and comment thereon.

## **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 and the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors during the Review Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Review Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

*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  
**IIN International Limited**  
**Wu Shu Min**  
Chairman

Hong Kong, 13 February 2006