

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in IIN International Limited, you should at once hand this document to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## IIN INTERNATIONAL LIMITED

國訊國際有限公司\*

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

(Stock Code: 8128)

### PLACING OF NEW SHARES, INCREASE IN AUTHORISED SHARE CAPITAL, REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

#### Placing Agent



華富嘉洛證券有限公司  
Quam Securities Company Limited

**Independent Financial Adviser to the Independent  
Board Committee and the Independent Shareholders in respect of  
the refreshment of the Existing General Mandate**

**Nuada Limited**

*Corporate Finance Advisory*

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A notice convening an Extraordinary General Meeting of IIN International Limited to be held at Tien Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 4 July 2007 at 10:30 a.m. is set out on pages 24 to 26 of this circular.

A proxy form for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" section of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its posting.

18 June 2007

\* For identification purposes only

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## CHARACTERISTICS OF GEM

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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 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 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 GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on 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 GEM-listed issuers.

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# CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b>	
INTRODUCTION .....	4
THE PLACING AGREEMENT .....	5
SPECIAL MANDATE .....	7
RANKING OF THE PLACING SHARES .....	7
CONDITIONS OF THE PLACING .....	7
TERMINATION EVENTS .....	7
COMPLETION OF THE PLACING .....	8
REASONS FOR THE PLACING AND THE USE OF PROCEEDS .....	8
EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD .....	9
EFFECT ON THE SHAREHOLDING STRUCTURE .....	9
APPLICATION FOR LISTING .....	10
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL .....	10
PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES .....	10
EXTRAORDINARY GENERAL MEETING .....	11
PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING .....	12
RECOMMENDATIONS .....	13
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	14
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	15
<b>APPENDIX – GENERAL INFORMATION</b> .....	20
<b>NOTICE OF EGM</b> .....	24

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

“Announcement”	the announcement of the Company dated 6 June 2007 relating to the Placing
“Articles of Association”	the existing articles of association of the Company adopted on 22 November 2001
“associates”	have the same meaning as ascribed in the GEM Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	has the meaning ascribed to it under the Listing Rules
“Company”	IIN International Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the GEM board of the Stock Exchange
“Completion”	completion of the Placing
“Director(s)”	directors of the Company
“Designated Stock Exchange”	a stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company
“Existing General Mandate”	the general mandate granted to the Directors to allot, issue and deal with 325,632,094 new Shares, being 20% of the issued share capital of the Company as at 7 February 2007, being the date of the last annual general meeting of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 10:30 a.m. on Wednesday, 4 July 2007 at Tien Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Board comprising Liu Yang, Li Junlin and Jin Dunshen, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the refreshment of the Existing General Mandate
“Independent Financial Adviser”	Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate, a corporation licensed to conduct type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than Mr. Wu Shu Min and Mr. Xu Zhi Feng and their respective associates
“Latest Practicable Date”	14 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“May Placing”	the placing of 325,600,000 Shares at HK\$0.095 per Share pursuant to the May Placing Agreement
“May Placing Agreement”	a conditional placing agreement entered into between Quam Securities Company Limited and the Company dated 14 May 2007
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company on the date of the passing of the relevant ordinary resolution by the then Shareholders
“Over-Allotment Option”	the option granted by the Company to the Placing Agent, pursuant to which the Placing Agent may require the Company to issue up to an additional 300,000,000 new Shares at the Placing Price
“Placing”	the placing of the initial 700,000,000 Placing Shares and upon the exercise of the Over-Allotment Option in full, the additional 300,000,000 Placing Shares (as the case may be)
“Placing Agent”	Quam Securities Company Limited, a corporation licensed to carry on Types 1, 2, 4, and 9 of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Placing Agreement”	the conditional agreement entered into by the Company and the Placing Agent on 5 June 2007
“Placing Price”	HK\$0.12 per Placing Share
“Placing Shares”	initially the 700,000,000 new Shares and upon the exercise of the Over-Allotment Option in full, an additional 300,000,000 new Shares (as the case may be) to be placed under the Placing Agreement
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Pre-IPO Share Options Plan”	a share option plan adopted by the Company on 7 January 2000
“Proposed Share Capital Increase”	the proposed increase in the authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares to US\$50,000,000 divided into 5,000,000,000 Shares
“Shareholder(s)”	holder/holders of the Shares
“Shares”	ordinary shares(s) of US\$0.01 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Scheme”	a share option plan conditionally adopted by the Company on 22 November 2001 and subsequently became unconditional upon the listing of the Company’s shares on the GEM of the Stock Exchange on 30 November 2001
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.



**IIN INTERNATIONAL LIMITED**

**國訊國際有限公司\***

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

(Stock Code: 8128)

*Executive Directors:*

Wu Shu Min (*Chairman*)

Xu Zhi Feng

*Non-executive Director:*

Yukihiko Izutsu

*Independent Non-executive Directors:*

Liu Yang

Li Junlin

Jin Dunshen

*Registered office:*

Huntlaw Building

P.O. Box 2804

George Town

Grand Cayman

Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Unit 2201A,

22/F, Bank of America Tower,

12 Harcourt Road,

Central, Hong Kong

18 June 2007

*To the Shareholders*

Dear Sir or Madam,

**PLACING OF NEW SHARES,  
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,  
AND  
PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

**INTRODUCTION**

On 6 June 2007, the Board announced that the Company entered into the Placing Agreement with the Placing Agent. As the proposed maximum number of 1,000,000,000 new Shares to be issued under the Placing Agreement exceeds 20% of the issued share capital of the Company as at the Latest Practicable Date, the Placing Shares will be issued under the special mandate to be sought from the Shareholders at the EGM. The Board also proposed to seek the Shareholders' approval at the EGM to increase the authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares to US\$50,000,000 divided into 5,000,000,000 Shares, and to seek the Independent Shareholders' approval at the EGM to refresh the Existing General Mandate for the Company to issue, allot and deal with new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital

\* For identification purposes only

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## LETTER FROM THE BOARD

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of the Company as at the date of the EGM under the New General Mandate. An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the refreshment of the Existing General Mandate and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is (i) to provide you with information on the Placing Agreement, the proposed increase in authorised share capital and the proposed refreshment of the General Mandate; (ii) to set out the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser in relation to the refreshment of the Existing General Mandate; and (iii) to give you a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve the Placing, increase in authorised share capital of the Company and refreshment of the Existing General Mandate.

### **THE PLACING AGREEMENT**

On 5 June 2007, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, initially a total of 700,000,000 new Shares (before the exercise of the Over-Allotment Option) at the Placing Price. The Company has also granted the Placing Agent the Over-Allotment Option pursuant to which the Placing Agent may require the Company to issue up to an additional 300,000,000 new Shares at the Placing Price.

#### **Date**

5 June 2007

#### **Issuer**

The Company

#### **Placing agent**

The Placing Agent and its ultimate controlling beneficial owners are third parties independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company.

#### **Number of Shares to be placed**

Initially a total of 700,000,000 new Shares (before the exercise of the Over-Allotment Option), representing approximately 35.83% of the existing issued share capital of the Company, approximately 26.38% of the issued share capital of the Company as enlarged by the issue of 700,000,000 Placing Shares (before the exercise of the Over-Allotment Option) and approximately 23.70% of the issued share capital of the Company as enlarged by the issue of the initial 700,000,000 Placing Shares and the 300,000,000 Placing Shares issued upon the exercise of the Over-Allotment Option, will be placed by the Placing Agent on a best effort basis.

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## LETTER FROM THE BOARD

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### Over-Allotment Option

Pursuant to the Placing Agreement, the Company has also granted the Over-Allotment Option to the Placing Agent, exercisable from the date of the Placing Agreement up to the 40th day following the date on which the Placing Agreement has become unconditional, pursuant to which the Placing Agent may require the Company to issue up to an additional 300,000,000 new Shares, representing approximately 15.36% of the existing issued share capital of the Company and approximately 10.16% of the issued share capital of the Company as enlarged by the issue of the initial 700,000,000 Placing Shares and the 300,000,000 Placing Shares issued upon the exercise of the Over-Allotment Option, at the Placing Price. The Over-Allotment Option may be exercised by the Placing Agent in whole or in part from time to time.

### Placees

To the best knowledge of the Directors, the Placing Shares will be placed to, subject to the fulfillment of the conditions of the Placing and even if the Over-Allotment Option is not being exercised, not fewer than six professional, institutional and/or private investors, all of whom and their respective ultimate controlling shareholders will be third parties independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company. The Company also understands from the Placing Agent that the Placing Agent will use its best endeavours to ensure that none of the placees procured by it to subscribe for the Placing Shares shall hold 10% or more of the total issued share capital of the Company (as enlarged by the Placing) or become a substantial shareholder of the Company immediately after Completion.

### Placing Price

HK\$0.12 per Placing Share.

The Placing Price represents:

- (i) a discount of approximately 48.72% to the trading price of HK\$0.234 per Share as quoted on the Stock Exchange on the date of the Placing Agreement (i.e. 5 June 2007);
- (ii) a discount of approximately 51.69% to the average closing price of HK\$0.2484 per Share for the 5 trading days ended on 5 June 2007;
- (iii) a discount of approximately 44.93% to the average closing price of HK\$0.2179 per Share for the 10 trading days ended on 5 June 2007; and
- (iv) a premium of approximately 6% to the average closing price of HK\$0.1132 per Share for the 3 months ended on 5 June 2007.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the average closing price of 3 months ended on 5 June 2007 and the Board considers the terms of the Placing Agreement to be fair and reasonable.

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## LETTER FROM THE BOARD

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### Placing Fee

Subject to Completion, a placing fee of 1.0% of the aggregate consideration for the Placing Shares will be payable to the Placing Agent.

### SPECIAL MANDATE

The proposed maximum number of 1,000,000,000 Placing Shares will be issued under the special mandate to be sought from the Shareholders at the EGM.

### RANKING OF THE PLACING SHARES

The Placing Shares, when fully-paid and issued, will rank pari passu in all respects with the issued Shares and will receive all dividends and distributions declared, made or paid on or after the date of allotment.

### CONDITIONS OF THE PLACING

Completion is conditional upon the following:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares;
- (ii) the Shareholders having approved the increase of authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares to US\$50,000,000 divided into 5,000,000,000 Shares; and
- (iii) the Shareholders having approved the Placing Agreement and the transactions contemplated thereunder (including the grant of the special mandate).

If the conditions are not fulfilled on or before the 70th day after the date of the Placing Agreement (or such other date as the Company and the Placing Agent may mutually agree), the obligations and liabilities of the Company and the Placing Agent under the Placing Agreement shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing Agreement.

### TERMINATION EVENTS

The obligation of the Placing Agent to procure places to subscribe for the Placing Shares is on a best effort basis. In addition, the Placing Agreement contains provisions granting the Placing Agent the right to terminate its placing obligations by notice to the Company at any time prior to Completion on the occurrence of certain events including force majeure, any material adverse change in the trading, business or financial condition of the Company or its subsidiaries taken as a whole, any material disruption in securities trading in Hong Kong or any event which would have rendered the representations and warranties in the Placing Agreement untrue or inaccurate so to prejudice the Placing.

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## LETTER FROM THE BOARD

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If the Placing Agent exercises such right to terminate the Placing, the Placing will not proceed and further announcement will be made by the Company.

### COMPLETION OF THE PLACING

Completion of the Placing of the initial 700,000,000 Placing Shares is expected to take place on the fourth Business Day after the conditions of the Placing have been fulfilled.

Completion of the Placing of the additional 300,000,000 Placing Shares pursuant to the Over-Allotment Option is expected to take place on the fourth Business Day after the date of the notice of the exercise of the Over-Allotment Option issued by the Placing Agent.

### REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Group is a network solution provider in the PRC which principal activity is the provision of network solutions to the PRC telecommunications service providers.

The Board has been looking for opportunity to raise funds and considers that the Placing would enlarge the shareholders base of the Company and strengthen the Group's financial position. The Board considers the Placing is in the interest of the Company and the Shareholders as a whole. The gross proceeds from the Placing (assuming the full placing of the initial 700,000,000 Shares but before the exercise of the Over-Allotment Option) will amount to HK\$84 million. The gross proceeds from the Placing (assuming the full placing of the initial 700,000,000 Shares and the full exercise of the Over-Allotment Option) will amount to HK\$120 million. The net proceeds from the Placing (amounting to approximately HK\$82.36 million (equivalent to a net issue price of approximately HK\$0.1177 per Placing Share) (assuming the full placing of the initial 700,000,000 Shares but before the exercise of the Over-Allotment Option) or approximately HK\$118 million (equivalent to a net issue price of approximately HK\$0.118 per Placing Share) (assuming the full placing of the initial 700,000,000 Shares and the full exercise of the Over-Allotment Option) are intended to be used as to approximately HK\$80 million for the development of the existing business of the Group and the remaining balance for the general working capital.

## LETTER FROM THE BOARD

### EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Discount/premium to the market price	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
14 May 2007	Placing of 325,600,000 new Shares by the Placing Agent	The placing price of HK\$0.095 represented a discount of approximately 18.8% to the closing price of the Shares of HK\$0.117 as quoted on the Stock Exchange on 14 May 2007	HK\$30 million	General working capital	approximately HK\$6 million has been used as general working capital, the remaining approximately HK\$24 million has been deposited in banks

### EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company upon issue of the Placing Shares are set out below:

Name of Shareholders	As at the Latest Practicable Date		Immediately after initial Placing of 700,000,000 Shares		Immediately after initial Placing of 700,000,000 Shares and exercise of Over-Allotment Option in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Wu Shu Min (Note 1)	141,023,000	7.22%	141,023,000	5.31%	141,023,000	4.77%
Xu Zhi Feng (Note 1)	4,376,000	0.22%	4,376,000	0.17%	4,376,000	0.15%
The Placees	0	0%	700,000,000	26.38%	1,000,000,000	33.86%
Other Public Shareholders	1,808,361,470	92.56%	1,808,361,470	68.14%	1,808,361,470	61.22%
<b>Total</b>	<b>1,953,760,470</b>	<b>100.00%</b>	<b>2,653,760,470</b>	<b>100.00%</b>	<b>2,953,760,470</b>	<b>100.00%</b>

Note 1: Both Mr. Wu Shu Min and Mr. Xu Zhi Feng are Directors.

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## LETTER FROM THE BOARD

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### APPLICATION FOR LISTING

Application will be made to the Stock Exchange for listing of, and permission to deal in, the Placing Shares.

### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Reference is made to the announcement of the Company on the May Placing dated 14 May 2007. After completion of the May Placing, 325,600,000 Shares were issued and allotted.

As at the Latest Practicable Date, the authorised share capital of the Company was US\$20,000,000 divided into 2,000,000,000 Shares, of which 1,953,760,470 Shares had been issued and fully paid or credited as fully paid. In order to allow the Company to have sufficient authorised share capital for the issue of 1,000,000,000 Shares under the Placing Agreement (assuming full payment of the initial 700,000,000 Shares and the full exercise of the Over-Allotment Option) and to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares to US\$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 3,000,000,000 unissued Shares.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Save and except the proposed issue pursuant to the Placing Agreement, the Company does not have any present intention to allot and issue the new Shares out of the Proposed Share Capital Increase.

### PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 7 February 2007, the Shareholders approved, among other things, to grant to the Directors the Existing General Mandate under which the Directors are authorized to allot up to 325,632,094 Shares, which is equivalent to the then 20% issued share capital of the Company.

As announced by the Company on 14 May 2007, the Company entered into the May Placing Agreement pursuant to which 325,600,000 Shares has been placed under the Existing General Mandate upon Completion of the May Placing. After completion of the May Placing, the Company only has 32,094 Shares left that may be issued under the Existing General Mandate.

In order to provide a flexible means for the Company to raise further funds through the issue of new Shares for its future business development, the Board proposes to refresh the Existing General Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM. The refreshment of the Existing General Mandate is subject to the Shareholders having approved the Proposed Share Capital Increase in the EGM.

An Independent Board Committee has been established and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate.

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## LETTER FROM THE BOARD

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The granting of the New General Mandate is subject to the passing of the ordinary resolution for the approval of the New General Mandate and the Proposed Share Capital Increase. Based on 1,953,760,470 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased or issued prior to the EGM, the Directors will be authorised to allot and issue up to a limit of 390,752,094 Shares under the New General Mandate, representing 20% of the issued share capital of the Company at the EGM. The New General Mandate will, if granted, remain effective until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles of Association to be held; or
- (c) the date on which the relevant mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

The Directors (including the Independent non-executive Directors) consider that the New General Mandate will enhance the flexibility of the Company to manage its business and therefore the New General Mandate is fair and reasonable and the granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

### **EXTRAORDINARY GENERAL MEETING**

Approval from the Shareholders will be sought at the EGM for the approval of the Placing, Proposed Share Capital Increase and the refreshment of the Existing General Mandate.

The Existing General Mandate is proposed to be refreshed before the Company's next annual general meeting, and therefore, pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Existing General Mandate will be subject to the provisions that any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour and such resolution should be approved by the Shareholders by way of poll at the EGM. Therefore, Mr. Wu Shu Min, the chairman of the Company, and Mr. Xu Zhi Feng, an executive Director, and their respective associates shall abstain from voting in favour of this resolution.

To the best knowledge of the Directors, no Shareholders have any material interest in the Placing and the Proposed Share Capital Increase and therefore no Shareholders are required to abstain from voting at the resolution in relation to the Placing and the Proposed Share Capital Increase. In the event that any placees (or their associates) are Shareholders as at the date of EGM, such placees (or their associates) shall abstain from voting at the resolution in relation to the Placing.

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## LETTER FROM THE BOARD

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A notice convening the forthcoming EGM of the Company to be held at Tien Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 4 July 2007 at 10:30 a.m. is set out on pages 24 to 26 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

### PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to Article 66 of the Articles of Association, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of poll is required by the rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Directors consider that the Placing, the Proposed Share Capital Increase and the proposed refreshment of the Existing General Mandate are all in the best interests of the Company and its Shareholders and so recommend all Shareholders should vote in favour of the ordinary resolutions to be proposed at the forthcoming EGM.

Yours faithfully,  
On behalf of the Board  
**IIN International Limited**  
**Wu Shu Min**  
*Chairman*



**IIN INTERNATIONAL LIMITED**

**國訊國際有限公司\***

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

(Stock Code: 8128)

18 June 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT NEW SHARES**

As the Independent Board Committee, we have been appointed to advise you in connection with the refreshment of the Existing General Mandate, detail of which are set out under the section headed “Letter from the Board” contained in the circular to the Shareholders dated 18 June 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the refreshment of the Existing General Mandate and the advice of and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto set out on pages 15 to 19 of the Circular, we are of the opinion that the refreshment of the Existing General Mandate, so far as the Independent Shareholders are concerned, are in the interest of the Company and the Independent Shareholders as a whole, and the terms of the refreshment of the Existing General Mandate are fair and reasonable. We therefore recommend you to vote in favour of the relevant resolution to be proposed at the EGM in relation to the refreshment of the Existing General Mandate.

Yours faithfully,

Independent Board Committee

**Liu Yang**

*Independent Non-executive Director*

**Li Junlin**

*Independent Non-executive Director*

**Jin Dunshen**

*Independent Non-executive Director*

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Nuada Limited setting out their advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

7th Floor, New York House  
60 Connaught Road Central  
Hong Kong

18 June 2007

*To the Independent Board Committee and  
the Independent Shareholders of  
IIN International Limited*

Dear Sirs,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

#### **INTRODUCTION**

We refer to the circular dated 18 June 2007 issued by the Company to the Shareholders of which this letter forms part (the “Circular”) and our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed granting of the New General Mandate, details of which are set out in the letter from the Board contained in the Circular (the “Letter”). Capitalised terms used in this letter, unless the context otherwise requires, shall have the same meaning ascribed to them in the Circular.

Pursuant to Rule 17.42A of the GEM Listing Rules, the granting of the New General Mandate is subject to the approval of the Independent Shareholders by way of poll at the EGM. The controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates shall abstain from voting in favour of the relevant resolutions at the EGM. As at the Latest Practicable Date, the Company had no controlling Shareholder. Mr. Wu Shu Min, the chairman of the Company and an executive Director, and his associates were in aggregate interested in 141,023,000 Shares, and Mr. Xu Zhi Feng, an executive Director, and his associates were in aggregate interested in 4,376,000 Shares, representing approximately 7.22% and 0.22% respectively of the issued share capital of the Company, as at the Latest Practicable Date. Therefore, Mr. Wu Shu Min and Mr. Xu Zhi Feng and their respective associates shall abstain from voting in favour of the resolutions to approve the granting of the New General Mandate at the EGM.

The Independent Board Committee has been established to advise whether the proposed granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## **BASIS OF OUR ADVICE**

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made to us or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We consider that we have been provided with sufficient information to reach an informed view to provide a reasonable basis for our opinion.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the proposed granting of the New General Mandate, we have taken the following principal factors and reasons into consideration:

### **Background**

The Group is a network solution provider in the PRC which principal activity is the provision of network solutions to the PRC telecommunications service providers.

At the annual general meeting of the Company held on 7 February 2007, the Directors were granted the Existing General Mandate to allot and issue up to 325,632,094 new Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company then in issue. The Existing General Mandate had been almost fully utilised in association with the issue and allotment of 325,600,000 Shares (the “May Placing Shares”) upon completion of the May Placing, details of which are set out in the announcement dated 14 May 2007 of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, the Company also entered into the Placing Agreement with the Placing Agent on 5 June 2007, pursuant to which the Placing Agent has agreed to place, on a best effort basis, initially a total of 700,000,000 Placing Shares (before the exercise of the Over-Allotment Option) at the Placing Price. The Company has also granted the Placing Agent the Over-Allotment Option pursuant to which the Placing Agent may require the Company to issue up to an additional 300,000,000 Placing Shares at the Placing Price. The proposed maximum number of 1,000,000,000 Placing Shares will be issued under the special mandate to be sought from the Shareholders at the EGM. Other than the May Placing and the Placing, the Company had not conducted any fund raising activities in the past twelve months.

To maintain the financial flexibility necessary for the Group's future business development, the Directors therefore propose to seek the approval of the Independent Shareholders at the EGM for the granting of the New General Mandate.

The Company had an aggregate of 1,953,760,470 Shares in issue as at the Latest Practicable Date. The granting of the New General Mandate is subject to the passing of the ordinary resolutions for the approval of the New General Mandate and the Proposed Share Capital Increase at EGM. Assuming no other Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 390,752,094 Shares.

### **Reasons for the New General Mandate**

As advised by the Company, the Directors consider that equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. While the Board considers that there is no immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in Shares except for the Placing, the Board proposes to seek approval of the Independent Shareholders at the EGM of the New General Mandate such that should future funding needs arise or attractive terms for investment in Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly.

### **Continued expansion of the Group's businesses**

As stated in the interim report 2006/2007 of the Company, in order to strengthen the business base of the Group, the Group's management has been striving to seek for new business opportunities and valued co-operative partners, and in order to strengthen the financial condition of the Group, the Company will continuously put great effort in identifying potential investors. The Directors believes that with new funding bringing in, it can facilitate the adoption of new business opportunities and cater for the further development of the Group.

Given the Existing General Mandate has been almost fully utilised, may any investment opportunities arise that would lead to issuance of new Shares and specific mandate may have to be sought in this respect, the Directors are uncertain as to whether the requisite approval from Shareholders or independent Shareholders, as the case may be, could be obtained in a timely manner. In addition, the New General Mandate offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by issuing new Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notwithstanding the fact that the Group had no immediate funding need for its current operations and there is currently no concrete proposal presented by potential investors for investment in Shares except for the Placing, the Directors believe that the New General Mandate would offer the Group higher flexibility to capture investment opportunities which may arise at any time and require prompt investment decision by the Group. The Directors also consider that the New General Mandate would provide the Company with the maximum flexibility to raise additional capital for any future investment or as working capital of the Group.

In light of the above, we are of the opinion that the New General Mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs for future business development and/or investment decisions in a timely manner. As such, we are of the view that the granting of the New General Mandate will be in the interest of the Company and the Shareholders as a whole.

### **Flexibility in financing alternatives**

As advised by the Company, in appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development. While sufficient for its present requirements, there is no certainty that such cash resources will be adequate or other financing alternatives will be available for appropriate investment that may be identified by the Company in the future.

In addition, as debt financing may incur interest burden to the Group, the Directors consider that equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate mean to fund such investments and/or acquisitions and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market condition.

We consider that the granting of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the granting of the New General Mandate will be in the interest of the Company and the Shareholders as a whole.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were and immediately following the Placing will be as follows:

<i>Authorised Share Capital as at the Latest Practicable Date:</i>	<i>US\$</i>
2,000,000,000 Shares	20,000,000
<i>Proposed Share Capital Increase</i>	
<u>3,000,000,000 Shares</u>	<u>30,000,000</u>
<u>5,000,000,000 Shares</u>	<u>50,000,000</u>
<i>Issued, to be issued and fully paid or credited as fully paid up:</i>	
1,953,760,000 Shares in issue as at the Latest Practicable Date	19,537,600
1,000,000,000 Maximum Shares to be issued and allotted under the Placing	<u>10,000,000</u>
<u>2,953,760,000</u>	<u>29,537,600</u>

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the then existing Shares in issue as at the date of issue of the Placing Shares.

The Shares are listed and traded on the GEM board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

## 3. SHARE OPTIONS

**The Pre-IPO Share Options Plan**

As at the Latest Practicable Date, options to subscribe for an aggregate of 15,000,000 shares were outstanding under the Pre-IPO Share Option Plan. Details of which as at the Latest Practicable Date are as follows:

<b>Name or category of participants</b>	<b>Date of grant</b>	<b>Exercise Price per Share (HK\$)</b>	<b>Exercise Period</b>	<b>Number of outstanding share options as at the Latest Practicable Date</b>
Wu Shu Min	5,000,000	0.15	07/01/2000 to 06/01/2008	5,000,000
Wu Shu Min	10,000,000	0.15	26/02/2000 to 25/02/2008	10,000,000
			Total:	<u>15,000,000</u>

**The Scheme**

As at the Latest Practicable Date, options to subscribe for an aggregate of 30,900,000 shares were outstanding under the Scheme. Details of which as at the Latest Practicable Date are as follows:

Name or category of participants	Date of grant	Exercise Price per Share (HK\$)	Exercise Period	Number of outstanding share options as at the Latest Practicable Date
Wu Shu Min	07/03/2002	0.465	07/03/2002 to 21/12/2011	10,000,000
Wu Shu Min	05/06/2003	0.078	05/06/2003 to 21/12/2011	3,000,000
Xu Zhi Feng	05/06/2003	0.078	05/06/2003 to 21/12/2011	1,000,000
Employees In aggregate	01/03/2002	0.475	01/03/2002 to 21/12/2011	800,000
Employees In aggregate	05/06/2003	0.078	05/06/2003 to 21/12/2011	3,600,000
Employees In aggregate	29/05/2007	0.214	29/05/2007 to 21/12/2011	12,500,000
			Total:	<u>30,900,000</u>

Save as disclosed in this appendix, no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

**4. LITIGATION**

A 51% owned subsidiary of the Group, Chengdu TM Network Corporation (“Chengdu TM”) received a judgement notice dated 31 December 2006 (“the Judgement”) which was issued by China International Economic And Trade Arbitration Commission (the “Commission”).

The claim was filed by Siemens Communication Networks Ltd., Beijing (“Siemens”) for an outstanding payment of RMB6,889,331.56 in relation to a purchase contract dated 20 September 2004 (“the Contract”) entered by Siemens and Chengdu TM for purchase and procurement of Juniper router equipment and service.

According to the Judgement, Chengdu TM shall within 30 days from the date of Judgement notice i) pay to Siemens the outstanding amount of RMB6,889,331.56; ii) pay to Siemens the penalty sum of RMB344,466.58; and iii) pay to Siemens the arbitration fee of RMB96,654.

The board of directors of Chengdu TM resolved that they will try to resolve this matter with Siemens through friendly negotiation. No agreement has yet been reached. The Group and its 49% joint venture partners of Chengdu TM have also not yet decided the arrangement on the settlement of the outstanding amount, the penalty sum and the arbitration fee.

To the knowledge of the directors of the Company, no further action was taken by Siemens as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 5. EXPERT AND CONSENT

The qualifications of the expert who has given opinion in this circular are as follows:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	a corporation licensed to conduct type 6 regulated activity under the Securities and Futures Ordinance, Chapter 571 of Laws of Hong Kong

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 30 September 2006, being the date to which the latest published audited accounts of the Company were made up.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 18 June 2007 and the reference to its name in the form and context in which they appear.

## 6. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.



## IIN INTERNATIONAL LIMITED

國訊國際有限公司\*

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

(Stock Code: 8128)

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “Extraordinary General Meeting”) of IIN International Limited (the “Company”) will be held on Wednesday, 4 July 2007 at 10:30 a.m. at Tien Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong for the purpose of considering, and if thought fit, passing the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be increased from US\$20,000,000 divided into 2,000,000,000 Shares of the Company (the “Shares”) of US\$0.01 each to US\$50,000,000 divided into 5,000,000,000 Shares of US\$0.01 each by the creation of an additional 3,000,000,000 unissued Shares of US\$0.01 each and the directors of the Company (the “Directors”) be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the increase in the authorised share capital of the Company.”
2. “**THAT**, subject to the passing of resolution numbered 1 as set out in the notice of this meeting:
  - (a) the execution of the conditional placing agreement (the “Placing Agreement”) dated 5 June 2007 between the Company and Quam Securities Company Limited (the “Placing Agent”) pursuant to which, inter alia, (i) the Placing Agent agreed to procure placees to subscribe for 700,000,000 new shares of the Company (“Shares”) to be issued by the Company, on a best effort basis; and (ii) the Company agreed to grant an over-allotment option to the Placing Agent to require the Company to issue up to an additional 300,000,000 new Shares (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the meeting for the identification purpose) be and is hereby confirmed, approved and ratified;
  - (b) the allotment and issue of the Shares pursuant to and in accordance with the terms and conditions of the Placing Agreement be and is hereby approved; and
  - (c) any one director of the Company be and is hereby authorised to take such actions or execute such documents to effect the issue of the Shares and to do such other things and to take all such action he or she consider necessary or desirable for the purpose of giving effect to the Placing Agreement.”

\* *For identification purposes only*

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## NOTICE OF EGM

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3. “**THAT**, subject to the passing of resolution numbered 1 as set out in the notice of this meeting:

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) any issue of shares of the Company upon the exercise of existing warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
- (iii) the date on which the authority given to the Directors by this resolution is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting.

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## NOTICE OF EGM

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“Rights Issue” means an offer of shares in the Company (“Shares”), or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

By order of the Board  
**IIN International Limited**  
**Wu Shu Min**  
Chairman

Hong Kong, 18 June 2007

*As at the date hereof, the Board of Directors of the Company comprises Mr. Wu Shu Min and Mr. Xu Zhi Feng as executive Directors, Mr. Yukihiro Izutsu as non-executive Director, Mr. Liu Yang, Mr. Li Junlin and Mr. Jin Dunshen as independent non-executive Directors.*

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.