

Third Quarterly Report **2006/07**



IIN

IIN International Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8128

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

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Revenue recorded approximately HK\$74.2 million for the Review Period.

Loss for the Review Period amounted to approximately HK\$4.3 million.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

During the three months ended 30 June 2007 (the “Quarterly Period”) and the nine months ended 30 June 2007 (the “Review Period”), the revenue of IIN International Limited (the “Company”) together with its subsidiaries (the “Group”) increased to approximately HK\$23.8 million and HK\$74.2 million respectively compared to approximately HK\$22.3 million and HK\$47.0 million for the corresponding periods last year, representing an increase of approximately 6.7% and 57.9% respectively. The significant increase in revenue for the Review Period was mainly attributable by transmission segment which has secured substantial orders in Shandong and Shanghai.

During the Review Period, the Group’s revenue of approximately HK\$74.2 million entirely contributed by transmission segment (corresponding period last year: approximately HK\$46.7 million, represented approximately 99% of the Group’s turnover). Due to transmission segment with lower gross profit margin is currently the main focal business of the Group and keen price competition, the Group’s gross profit margin during the Review Period decreased to approximately 13.3% from 15.6% for the corresponding period last year.

During the Review Period, the Group’s net loss attributable to equity holder of the Company was significantly narrowed down to approximately HK\$5.4 million from that of HK\$8.9 million of last year. The decrease was attributable by the increase of revenue of transmission segment during the Review Period and the continued implementation of cost control measures by the Group.

The selling and distribution costs of the Group during the Review Period was HK\$3.9 million compared to approximately HK\$4.3 million for the corresponding period last year, representing a decrease of 7% which was attributable by the continuous cost control measures taken by the Group.

During the Review Period, the Group’s administrative expenses slightly decreased 4.5% to approximately HK\$9.3 million from HK\$9.7 million for the corresponding period last year. As the Company has engaged in some fund-raising activities during the Review Period, therefore, slight decrease in administrative expenses can only be achieved.

BUSINESS REVIEW AND PROSPECTS

Besides consolidating the existing transmission segment, the Group also strives to look for new business opportunities and businesses with good development potential. We aim at diversifying our business to enlarge its basis so as to increase our revenue sources. In early July 2007, the Group signed a memorandum of understanding with China Standard Limited, and proposed to acquire an environmental protection company incorporated in Shenzhen. Its major businesses includes synthetically utilisation of marsh gas, disposal and handling of solid garbage, disposal and handling of solid dangerous rejections, disposal of sewage and waste water and utilisation of new energy, etc.

In addition, the Company successfully completed two placings in May 2007 and July 2007, which have placed a total of 1,325,600,000 Shares of the Company. The net proceeds from the placings of approximately HK\$148 million will be used for existing business development and working capital of the Company, thus improving the Company's financial position.

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FINANCIAL 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 and nine months ended 30 June 2007 together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three months ended 30 June		Nine months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	2	23,816	22,289	74,182	46,995
Cost of sales		(20,804)	(19,274)	(64,320)	(39,643)
Gross profit		3,012	3,015	9,862	7,352
Other revenue		637	548	2,400	1,437
Selling and distribution costs		(965)	(2,018)	(3,946)	(4,257)
Administrative expenses		(3,858)	(2,797)	(9,280)	(9,708)
Finance costs		(1,036)	(490)	(2,437)	(1,405)
Other operating expenses		–	(724)	(345)	(1,279)
Loss before tax	3	(2,210)	(2,466)	(3,746)	(7,860)
Income tax	4	(500)	(112)	(585)	(458)
Loss for the period		(2,710)	(2,578)	(4,331)	(8,318)
Attributable to:					
Equity holders of the Company		(2,968)	(2,767)	(5,405)	(8,950)
Minority interests		258	189	1,074	632
Loss for the period		(2,710)	(2,578)	(4,331)	(8,318)
Dividend	5	–	–	–	–
Loss per share attributable to the equity holders of the Company	6				
– Basic (HK cents)		(0.17)	(0.17)	(0.32)	(0.57)
– Diluted (HK cents)		N/A	N/A	N/A	N/A

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations (collectively, "new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted in the preparation of this financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 30 September 2006.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. REVENUE

Revenue 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 revenue is as follows:

	Three months ended 30 June		Nine months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Other network solutions for sectors other than telecommunications	–	–	–	293
Transmission	23,816	22,289	74,182	46,702
	23,816	22,289	74,182	46,995

3. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Three months ended 30 June		Nine months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Staff costs (including directors' emoluments)	1,078	950	3,562	3,514
Depreciation	491	845	1,619	2,352
Amortisation of deferred development costs	–	42	–	146
Minimum lease payments under operating leases in respect of land and buildings	19	–	58	252
Provision for impairment of trade and retention receivables	–	–	–	451

4. INCOME TAX

	Three months ended 30 June		Nine months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
PRC corporate income tax	500	112	585	458

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the nine months ended 30 June 2007 (2006: 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 nine months ended 30 June 2007 (2006: 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 30 June 2007 (2006: Nil).

5. DIVIDEND

The Board does not recommend payment of a dividend for the Review Period (2006: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the three months and nine months ended 30 June 2007 is based on the respective unaudited consolidated net loss attributable to the equity holders of the Company of approximately HK\$2,968,000 and HK\$5,405,000 respectively (2006: approximately HK\$2,767,000 and HK\$8,950,000 respectively) and the weighted average of 1,744,107,137 shares and 1,666,809,359 shares respectively (2006: 1,628,160,470 shares and 1,582,827,137 shares respectively) in issue during the periods.

The diluted loss per share for the three months and nine months ended 30 June 2007 and 2006 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 and nine months ended 30 June 2007 and 2006.



7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 June 2007

	Attributable to equity holders of the Company									
	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	Minority interests HK\$'000	Restated Total HK\$'000
At 1 October 2005, as previously reported	120,359	54,964	4,960	4	4,698	(13)	(197,630)	(12,658)	7,981	(4,677)
Effect of initial adoption of										
- HKFRS 3	-	-	(4,960)	-	-	-	4,960	-	-	-
- HKAS 17	-	-	-	-	(760)	-	760	-	-	-
At 1 October 2005, as restated	120,359	54,964	-	4	3,938	(13)	(191,910)	(12,658)	7,981	(4,677)
Issuance of new shares	6,630	-	-	-	-	-	-	6,630	-	6,630
Net loss for the period	-	-	-	-	-	-	(8,950)	(8,950)	633	(8,317)
At 30 June 2006	126,989	54,964	-	4	3,938	(13)	(200,860)	(14,978)	8,614	(6,364)
At 1 October 2006	126,989	54,964	-	4	766	(17)	(204,631)	(21,925)	10,195	(11,730)
Adjustment for adoption of HKAS17	-	-	-	-	(766)	-	766	-	-	-
At 1 October 2006, as restated	126,989	54,964	-	4	-	(17)	(203,865)	(21,925)	10,195	(11,730)
Issuance of new shares	25,522	5,068	-	-	-	-	-	30,590	-	30,590
Net loss for the period	-	-	-	-	-	(52)	(5,405)	(5,457)	1,074	(4,383)
At 30 June 2007	152,511	60,032	-	4	-	(69)	(209,270)	3,208	11,269	14,477

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

As at 30 June 2007, 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

Name of director	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate Percentage of the Company's issued share capital
	Total interests in shares	Capacity	
Mr. Wu Shu Min	141,023,000	Beneficial owner	7.21%
Mr. Xu Zhi Feng	4,376,000	Beneficial owner	0.22%

(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 30 June 2007, the following directors of the Company were granted or interested in the following options under the Pre-IPO Share Option Plan:

Name of director	Number of share options outstanding as at 1 October 2006 and 30 June 2007	Date of grant	Exercise period	Adjusted exercise price per share*
				HK\$
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

* *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 30 June 2007, the following directors of the Company were interested in the following options under the Scheme:

Name of director	Number of share options outstanding as at 1 October 2006 and 30		Date of grant	Exercise period	Exercise price per share HK\$
	June 2007				
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. Xu Zhi Feng	1,000,000		5 June 2003	5 June 2003 to 21 December 2011	0.078

Save as disclosed above, as at 30 June 2007, 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 30 June 2007, 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
Lei Dong Ling (<i>Note</i>)	Interests of spouse	141,023,000	7.21%	28,000,000	169,023,000
Hu Dunnian	Beneficial owner	98,544,000	5.04%	-	98,544,000

Note:

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 141,023,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.

Save as disclosed above, as at 30 June 2007, 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.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Options Plan

As at 30 June 2007, options to subscribe for an aggregate of 15,000,000 shares were outstanding (including the directors of the Company as disclosed above). Under the Pre-IPO Share Options 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. Details of which as at 30 June 2007 were as follows:

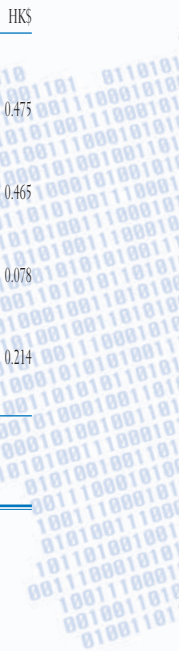
Date of grant of share options	As at 1 October 2006	Granted during the period	Cancelled during the period	Exercised during the period	Lapsed during the period	As at 30 June 2007	Exercise period of share options	Adjusted price per share* HK\$
7 January 2000	5,000,000	-	-	-	-	5,000,000	7 January 2000 to 6 January 2008	0.150
26 February 2000	10,000,000	-	-	-	-	10,000,000	26 February 2000 to 25 February 2008	0.150
	15,000,000	-	-	-	-	15,000,000		

* 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\$.

(b) The scheme

As at 30 June 2007, options to subscribe for an aggregate of 29,300,000 shares were outstanding (including the directors of the Company as disclosed above). Under the Scheme, 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. Details of which as at 30 June 2007 were as follows:

Date of grant of share options	As at 1 October 2006	Granted during the period	Cancelled during the period	Exercised during the period	Lapsed during the period	As at 30 June 2007	Exercise period of share options	Exercise price per share
1 March 2002	800,000	-	-	-	-	800,000	1 March 2002 to 21 December 2011	0.475
7 March 2002	10,000,000	-	-	-	-	10,000,000	7 March 2002 to 21 December 2011	0.465
5 June 2003	7,600,000	-	-	(1,600,000)	-	6,000,000	5 June 2003 to 21 December 2011	0.078
29 May 2007	-	12,500,000	-	-	-	12,500,000	29 May 2007 to 21 December 2011	0.214
	18,400,000	12,500,000	-	(1,600,000)	-	29,300,000		



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 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 report, the Board of Directors of the Company comprises Mr. Wu Shu Min, Mr. Fu Hui Zhong and Mr. Xu Zhi Feng as 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 August 2007

